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## **Timeless Software Limited**

*(incorporated in Hong Kong with limited liability)*

### **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES**

**Placing Agent**

**JS CRESVALE**

**JS Cresvale Capital Limited**

On 17th September 2003, the Placing Agent agreed with the Vendors to place, on a best efforts basis, 36,866,000 Placing Shares at a price of HK\$0.24 per Share on behalf of the Vendors, and the Vendors entered into a conditional agreement with the Company for the subscription of 36,866,000 Subscription Shares at the same price per Share. The Placing Price represents a discount of approximately 7.69% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on 16th September 2003 (being the last day of trading in the Shares on GEM prior to the release of this announcement). The Placing Price also represents a premium of approximately 1.69% to the average closing price of HK\$0.236 per Share as quoted on GEM for the last 10 trading days up to and including 16th September 2003. The Placing Shares represent approximately 3.88% of the existing issued ordinary share capital of the Company. The Subscription Shares represent approximately (i) 3.88% of the Company's existing issued share capital; and (ii) 3.74% of the Company's issued share capital as enlarged by the Subscription.

The Placing and the Subscription will enlarge the shareholder and capital base of the Company and will strengthen the financial position of the Group. The Company intends to use the estimated net proceeds of the Subscription of HK\$8.4 million as to approximately HK\$5 million on productization of Timeless' technologies (including but not limited to search engine, workflow softwares and multi-media softwares) and the remaining HK\$3.4 million as general working capital of the Group.

Trading in the Shares was suspended from 10:00 a.m. on 17th September 2003 at the request of the Company pending the issue of this announcement. Application will be made for trading in the Shares to resume at 9:30 a.m. on 18th September 2003.

#### **A. PLACING AND SUBSCRIPTION AGREEMENT DATED 17TH SEPTEMBER 2003**

Pursuant to the Placing and Subscription Agreement, the Placing Agent agreed with the Vendors to place 36,866,000 Placing Shares at the price of HK\$0.24 per Share on behalf of the Vendors. Details of the Placing are set out below.

##### **Vendors:**

The Vendors, together holding 15.45% of the existing issued share capital of the Company.

As at the date of this announcement, Mr. Cheng of the Vendors holds 104,660,000 Shares, representing approximately 11.03% of the existing issued share capital of the Company and Mr. Kan of the Vendors holds 41,978,000 Shares, representing approximately 4.42% of the existing issued share capital of the Company, out of which 20,000,000 and 16,866,000 existing Shares will be offered for sale by Mr. Cheng and Mr. Kan respectively pursuant to the Placing.

##### **Basis of Placing:**

The Placing Agent will place the Placing Shares on a best efforts basis.

##### **Number of Shares to be placed:**

36,866,000 Placing Shares, representing approximately 3.88% of the Company's existing issued share capital.

**Placees:**

Not less than six independent professional, institutional and/or individual investors to be procured by the Placing Agent.

**Placing price:**

HK\$0.24 per Share.

The Placing Price represents a discount of approximately 7.69% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on 16th September 2003 (being the last day of trading in the Shares on GEM prior to the release of this announcement). The Placing Price also represents a premium of approximately 1.69% to the average closing price of HK\$0.236 per Share as quoted on GEM for the last 10 trading days up to and including 16th September 2003. The Placing Price is determined after arm's length negotiations between the Vendors and the Placing Agent and, taking into account the general market conditions, the Directors consider that the Placing Price (including the premium and discount to the closing price of the Shares as shown above) is fair and reasonable so far as the shareholders of the Company are concerned.

**Completion of the Placing:**

Completion of the Placing is expected to be on 18th September 2003 or at such other date as the parties may otherwise agree in writing.

**B. SUBSCRIPTION LETTER AGREEMENT DATED 17TH SEPTEMBER, 2003****Subscribers:**

The Vendors

**Number of new Shares to be subscribed for:**

Total of 36,866,000 Subscription Shares to be subscribed for as to 20,000,000 Shares by Mr. Cheng and 16,866,000 Shares by Mr. Kan, representing approximately (i) 3.88% of the Company's existing issued share capital; and (ii) 3.74% of the Company's issued share capital as enlarged by the Subscription.

**Subscription price:**

HK\$0.24 per Share (which is the same as the Placing Price).

**Conditions of the Subscription:**

The Subscription is conditional upon:

- (1) completion of the Placing pursuant to the Placing and Subscription Agreement; and
- (2) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares.

**Completion of the Subscription:**

Completion of the Subscription will take place upon the fulfillment of all conditions (if such conditions are not otherwise waived by the Vendors) of the Subscription listed above. The Subscription will be completed on or before 31st October 2003. If the Subscription Shares are not issued to the Vendors on or before 1st October 2003, being 14 days from the date of the Placing and Subscription Agreement, it will constitute a connected transaction under the GEM Listing Rules and will require approval of the independent shareholders of the Company. In such a case, the Company intends to fully comply with the GEM Listing Rules accordingly.

**INDEPENDENCE OF THE PLACING AGENT AND PLACEES**

The Placing Agent and the placees to be procured by it under the Placing and Subscription Agreement are and will be independent of and not connected with the Vendors, the directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules). The results of the Placing will be announced in due course.

**MANDATE TO ISSUE NEW SHARES**

The Subscription Shares are to be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 6th August 2003.

**RANKING OF NEW SHARES**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions after the date of allotment and issue of the Subscription Shares.

## EFFECTS ON SHAREHOLDING STRUCTURE

The effects of the Placing and Subscription on the shareholding structure of the Company are as follows:

	Before Placing and Subscription	%	After Placing but before Subscription	%	After Placing and Subscription	%
Mr. Cheng	104,660,000	11.03%	84,660,000	8.92%	104,660,000	10.61%
Mr. Kan	41,978,000	4.42%	25,112,000	2.64%	41,978,000	4.25%
Placees	—	0%	36,866,000	3.89%	36,866,000	3.74%
Crimson Asia Capital Limited, L.P.	107,273,503	11.31%	107,273,503	11.31%	107,273,503	10.88%
Ningxia Educational Information Technology Company Limited	108,057,374	11.39%	108,057,374	11.39%	108,057,374	10.96%
Other public	586,886,626	61.85%	586,886,626	61.85%	586,886,626	59.56%
Total	948,855,503	100%	948,855,503	100%	985,721,503	100%

## EXPENSES

Save for the purchasers' ad valorem duty, Stock Exchange trading fee, SFC transaction levy and investor compensation fee, CCASS fees (if any) and special levy and any other amounts as may be payable by the purchasers in respect of the purchase of the Placing Shares which shall be responsible by the Placees, the Company will bear all the costs and expenses of approximately HK\$0.4 million incurred in relation to the Placing and the Subscription and will reimburse the Vendors for all costs and expenses (including legal fees) incurred by it in relation to the Placing and the Subscription. The net price of the new Shares issued under the Placing and Subscription is approximately HK\$0.23 per Share.

## REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software. The Placing and the Subscription will enlarge the shareholder and capital base of the Company and will strengthen the financial position of the Group.

The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$8.4 million as to approximately HK\$5 million on productization of Timeless' technologies (including but not limited to search engine, workflow softwares and multi-media softwares) and the remaining HK\$3.4 million as general working capital of the Group.

In the past 12 months, the Company did not issue any shares or securities to raise fund.

## **APPLICATION FOR LISTING**

The Company will make application to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares was suspended from 10:00 a.m. on 17th September 2003 at the request of the Company pending the issue of this announcement. Application will be made for trading in the Shares to resume at 9:30 a.m. on 18th September 2003.

## **DEFINITIONS**

The following words and phrases used in this announcement have the same meanings assigned:

“associate”	has the meaning as defined in the GEM Listing Rules
“Board”	board of Directors
“Business Day”	any day (other than a Saturday) on which banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on GEM
“Directors”	directors of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
Mr. Cheng	Mr. Cheng Kin Kwan, being the chairman and the chief executive officer of the Company and currently holding 104,660,000 Shares representing approximately 11.03% of the issued share capital of the Company
Mr. Kan	Mr. Kan Siu Kei, Laurie, being a shareholder currently holding 41,978,000 Shares representing approximately 4.42% of the issued share capital of the Company
“Placing”	the placement of 36,866,000 Placing Shares by the Vendors to independent investors at the Placing Price pursuant to the Placing and Subscription Agreement
“Placing Agent”	JS Cresvale Capital Limited, a deemed licensed corporation to conduct Type 1, Type 4, Type 6 and Type 9 regulated activities under the Securities and Futures Ordinance (Cap. 571)
“Placing Price”	the placing price of HK\$0.24 per Share under the Placing which is the same as the subscription price per Subscription Share
“Placing Shares”	20,000,000 and 16,866,000 existing Shares currently held by Mr. Cheng and Mr. Kan respectively

“Placing and Subscription Agreement”	the placing and subscription agreement dated 17th September, 2003 entered into among the Company, the Placing Agent and the Vendors in respect of the Placing and the Subscription Letter Agreement
“PRC”	The People’s Republic of China
“SFC”	The Securities and Futures Commission
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 36,866,000 Subscription Shares by the Vendors pursuant to the Subscription Letter Agreement
“Subscription Letter Agreement”	the subscription letter agreement dated 17th September, 2003 between the Company and the Vendors in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.24 per Share under the Subscription, which is the same as the Placing Price
“Subscription Shares”	20,000,000 and 16,866,000 new Shares to be subscribed for by Mr. Cheng and Mr. Kan respectively under the Subscription
“Vendors”	Mr. Cheng and Mr. Kan
“%”	per cent

By order of the Board  
**Cheng Kin Kwan**  
*Chairman and Chief Executive Officer*

Hong Kong, 17th September 2003



*This announcement, 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 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*The announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for 7 days from the date of its publication and on the website of Timeless Software Limited at [www.timeless.com.hk](http://www.timeless.com.hk).*