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Timeless Software Limited

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

VERY SUBSTANTIAL ACQUISITION AND RESUMPTION OF TRADING

Financial adviser to Timeless Software Limited

Hercules

Hercules Capital Limited

On 4 December 2009 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing the entire equity interest in Encore, which is principally engaged in trading of computer hardware and software and provision of information technology consultancy services in Hong Kong, for a total cash consideration of HK\$800,000.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and therefore is subject to the approval by the Shareholders at the EGM. A circular containing, among other things, further details of the Acquisition and the notice of EGM, will be despatched to the Shareholders in due course.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 December 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 December 2009.

On 4 December 2009 (after trading hours), the Company entered into the Agreement with the Vendors to acquire the entire equity interest in Encore. Details of the Acquisition are set out below:

THE AGREEMENT

Date

4 December 2009

Parties

Purchaser: the Company

Vendors: the Vendors. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

Subject matter

The Sale Shares, being six ordinary shares of HK\$1.00 each in the share capital of Encore, representing the entire issued share capital of Encore.

Consideration

The total consideration for the Acquisition is HK\$800,000, which shall be settled by the Company in the following manner:

- (i) a refundable deposit of HK\$400,000 shall be paid in cash to the Company's designated escrow agent upon signing of the Agreement; and
- (ii) HK\$400,000 shall be paid in cash upon Completion.

The consideration of the Acquisition was determined after arm's length negotiations between the Company and the Vendors. The Directors noted that Encore recorded a net loss of approximately HK\$780,000 for the year ended 31 December 2008 and the consideration represents a premium over the net asset value of Encore of approximately HK\$445,000 as at 31 December 2008. However, having considered that (i) Encore has been engaged in the software trading business for approximately 15 years and has established a good reputation in the industry; and (ii) Encore possesses an invaluable client base which will effectively facilitate the future business development of the Group, the Directors (including the independent non-executive Directors) are optimistic about the future potential of Encore and

consider that the premium of the consideration over the net asset value of Encore is commercially justifiable and the consideration of the Acquisition is fair and reasonable and on normal commercial terms. The Company shall finance the cash consideration with internal resources.

Conditions Precedent

Completion is conditional upon the fulfillment (or waiver, as the case may be) of, among other things, the following conditions:

- (i) the Company being satisfied as to the title of each of the Vendors to the Sale Shares owned by them respectively;
- (ii) the Company being satisfied with its due diligence of the financial, trading and other matters relating to Encore;
- (iii) each of the warranties given by the Vendors and the Company in the Agreement remaining true and accurate in all material respects;
- (iv) the performance and observance by the Vendors of all the undertakings and covenants on the part of the Vendors contained in the Agreement; and
- (v) the passing of the relevant resolution(s) at the EGM by the Shareholders for approving the Agreement and transactions contemplated thereunder.

If any of the conditions precedent is not fulfilled or waived by the Company (save for condition (v) which will not be waived) on or before 29 January 2010, the Agreement shall automatically become null and void and of no further effect. Completion shall take place on 5 February 2010 or such later date as the parties to the Agreement may agree in writing (in any event not later than 5 March 2010).

INFORMATION ON ENCORE

Encore was incorporated in Hong Kong on 1 February 1994. It is principally engaged in trading of computer hardware and software and provision of information technology consultancy services in Hong Kong under the trading name of Encore Software. Encore is an authorized reseller of Adobe, Autodesk, Cansoft, Corel, DacEasy, Eset, Hewlett Packard, IBM, Kaspersky, Lenovo, McAfee, Microsoft, MYOB, Network Automation, Qarbon, Symantec, Trend Micro, Wacom. It also resells many reputable software and hardware brands such as Apple, Barracuda Networks, Fujitsu, OKI, Samsung. Most of the customers of Encore are commercial corporations.

The audited financial results, which have been prepared in accordance with the generally accepted accounting practices in Hong Kong, of Encore for the two years ended 31 December 2008 is summarized as follows:

	For the year ended	
	31 December	
	2008	2007
	<i>HK\$</i>	<i>HK\$</i>
Revenue	11,942,846	14,300,806
(Loss)/profit before and after taxation and extraordinary items	(779,365)	58,332

As at 31 December 2008, the audited net assets of Encore amounted to approximately HK\$444,518.

REASONS FOR THE ACQUISITION

The Group is principally engaged in software development, provision of computer consultancy and software maintenance services and sales of computer hardware and software. Upon Completion, Encore shall become a wholly-owned subsidiary of the Company and its results and assets and liabilities shall be consolidated into the accounts of the Group. The Group has no present intention to change its current principal business after the Acquisition.

Encore has been engaged in the software trading business for approximately 15 years and has established good business relationships with both customers and suppliers. The Directors anticipate that the wealth of resources and brand name of Encore shall further strengthen the Company's operation and the Acquisition will facilitate the Group's business development by further broadening the Group's client base and product range. The Directors also expect that the Acquisition will bring in synergy effect to the Group by further improving its operational efficiency. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and therefore is subject to the approval by the Shareholders at the EGM. To the best of the knowledge of the Directors, no existing Shareholder has any interest in the Acquisition. Therefore, no Shareholder is required

to abstain from voting on the resolution(s) for approving the Agreement and transactions contemplated thereunder. A circular containing, among other things, further details of the Acquisition and the notice of the EGM will be despatched to the Shareholders in due course.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 December 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 December 2009.

DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the Sale Shares from the Vendors pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 4 December 2009 entered into between the Company and the Vendors regarding the sale and purchase of the Sale Shares
“Board”	the board of Directors
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability, whose Shares are listed on GEM
“Completion”	completion of the Agreement
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve the Acquisition
“Encore”	Encore Trading Limited, a company incorporated in Hong Kong with limited liability, shares of which are owned as to 50% by Mr. Ho Kin Lun Albert and 50% by Mr. Ko Chiu Wah as at the date of the Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	6 ordinary shares of HK\$1.00 each in the share capital of Encore, representing the entire issued share capital of Encore
“Share(s)”	the share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Ho Kin Lun Albert and Mr. Ko Chiu Wah, both of whom are third parties independent of the Company and its connected persons

By Order of the Board
Timeless Software Limited
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 7 December 2009

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Cheng Kin Kwan (Chairman), Mr. Law Kwai Lam, Ms. Leung Mei Sheung Eliza, Ms. Zheng Ying Yu, Mr. Fung Chun Pong Louis and Mr. Liao Yun; and three independent non-executive Directors, namely Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan.

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 the Company. The Directors, having made all reasonable enquires, 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its publication and on the Company’s website at <http://www.timeless.com.hk>.