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Timeless Software Limited
(incorporated in Hong Kong with limited liability)
(Stock code: 8028)

**PLACING OF EXISTING SHARES
AND TOP-UP SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANADATE**

Placing Agent



Shenyin Wanguo Capital (H.K.) Limited

On 21 October 2011 after trading hours, the Company entered into the Placing and Subscription Agreement with the Placing Agent and the Subscriber for the Placing of an aggregate of up to 168,000,000 Placing Shares to the Placees at the Placing Price of HK\$0.15 per Placing Share and the top-up Subscription of up to 168,000,000 Subscription Shares by the Subscriber at the Subscription Price of HK\$0.15 per Subscription Share.

The 168,000,000 Placing Shares represent, in aggregate, (i) approximately 14.77% of the existing issued share capital of the Company; and (ii) approximately 12.87% of the issued share capital of the Company as enlarged by the Subscription.

Assuming that the Placing Shares are fully placed under the Placing, the gross proceeds to be received by the Company from the Subscription will be approximately HK\$25.2 million in aggregate. The net proceeds, after deducting the commission for the Placing and related fees and expenses, of approximately HK\$24.3 million will be used as the general working capital of the Group.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date : 21 October 2011, after trading hours

Issuer : The Company

Placing Agent : Shenyin Wanguo Capital (H.K.) Limited, an Independent Third Party

Subscriber : Mr. Cheng Kin Kwan, a substantial Shareholder of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Placing and Subscription Agreement, the Subscriber agreed to place, through the Placing Agent, an aggregate of up to 168,000,000 Placing Shares to the Placees at a price of HK\$0.15 per Placing Share and the Subscriber will subscribe the Subscription Shares at a price of HK\$0.15 per Subscription Share. Details of the Placing and the Subscription are set out below.

1. Placing

Placees

The Placing Shares will be placed on a best effort basis to not less than six Placees which with their ultimate beneficial owners(s) will be Independent Third Party(ies).

It is expected that none of the Placees will become a substantial Shareholder of the Company immediately after completion of the Placing.

Placing commission

The Placing Agent will receive a placing commission of 3% of the aggregate Placing Price of the Placing Shares actually placed by the Placing Agent which was arrived at after arm's length negotiations between the Company and the Placing Agent. The placing commission will be reimbursed by the Company.

Placing Shares

The 168,000,000 Placing Shares represent, in aggregate, (i) approximately 14.77% of the existing issued share capital of the Company; and (ii) approximately 12.87% of the issued share capital of the Company as enlarged by the Subscription and the allotment and issue of the Subscription Shares as a result of the Subscription.

The Placing Shares rank pari passu among themselves and with the other Shares in issue as at the date of this announcement.

Placing Price

The Placing Price of HK\$0.15 was arrived at after arm's length negotiations among the Company, the Subscriber and the Placing Agent with reference to the market prices of the Shares and represents:

- (i) a discount of approximately 5.1% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement;
- (ii) a discount of approximately 1.2% to the average of the closing prices of approximately HK\$0.1518 per Share for the last 5 consecutive trading days up to and including 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement;
- (iii) a premium of approximately 0.3% over the average of the closing prices of approximately HK\$0.1496 per Share for the last 10 consecutive trading days up to and including 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement; and
- (iv) a premium of approximately 76.5% over the net assets value per Share attributable to Shareholders as at 31 March 2011 of approximately HK\$0.085 per Share.

The Directors consider that the Placing Price and the terms and conditions of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Placing

The Placing is unconditional.

Completion of the Placing

Completion of the Placing shall take place on 26 October 2011 (or such other date as may be agreed by the Subscriber and the Placing Agent).

2. Subscription

Subscription Shares

Pursuant to the terms and subject to the conditions under the Placing and Subscription Agreement, the Subscriber has irrevocably agreed to subscribe for up to 168,000,000 Subscription Shares, which is equivalent to the number of Placing Shares actually placed by the Placing Agent under the Placing. The Subscription Shares represent, assuming the maximum of 168,000,000 Subscription Shares is subscribed, (i) approximately 14.77% of the existing issued share capital of the Company; and (ii) approximately 12.87% of the issued share capital of the Company as enlarged by the Subscription and the allotment and issue of the Subscription Shares as a result of the Subscription.

The Subscription Shares will rank pari passu among themselves and with the other Shares in issue as at the date of the allotment and issue of the Subscription Shares.

General mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the Current General Mandate. The maximum number of Shares that can be issued under the Current General Mandate is 226,962,300 Shares. As at the date of this announcement, (i) save for the Placing and the Subscription, no portion of the Current General Mandate was utilised; (ii) the Company has not allotted and issued any Shares pursuant to the Current General Mandate; and (iii) the Current General Mandate is sufficient for the allotment and issue of the Subscription Shares. Accordingly, the allotment and issue of the Subscription Shares is not subject to Shareholders' further approval.

Subscription Price

The Subscription Price of HK\$0.15 per Subscription Share represents:

- (i) a discount of approximately 5.1% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement;
- (ii) a discount of approximately 1.2% to the average of the closing prices of approximately HK\$0.1518 per Share for the last 5 consecutive trading days up to and including 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement;

- (iii) a premium of approximately 0.3% over the average of the closing prices of approximately HK\$0.1496 per Share for the last 10 consecutive trading days up to and including 21 October 2011, being the last trading day immediately before the entering into of the Placing and Subscription Agreement; and
- (iv) a premium of approximately 76.5% over the net assets value per Share attributable to Shareholders as at 31 March 2011 of approximately HK\$0.085 per Share.

The Subscription Price, which is equal to the Placing Price, was arrived at after arm's length negotiations among the Company, the Subscriber and the Placing Agent with reference to the recent market prices. The Directors consider that the Subscription Price and the terms and conditions of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Assuming that the Placing Shares are fully placed under the Placing, the net price per Subscription Shares is approximately HK\$0.14.

Conditions precedent

The Subscription is conditional upon the following:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Subscription Shares; and
- (ii) the completion of the Placing.

None of the conditions are waivable. In the event that the conditions of the Subscription are not fulfilled on or before 1 November 2011 (or such other date as may be agreed between the Company and the Subscriber), all rights, obligations and liabilities of the parties to the Placing and Subscription Agreement in relation to the Subscription shall cease and determine and none of the Company, the Subscriber and the Placing Agent shall have any claim against the others under the Placing and Subscription Agreement in respect of the Subscription save for rights and remedies accrued prior to such termination.

Completion of the Subscription

Completion of the Subscription will take place within three Business Days (or such other date as may be agreed by the Company and the Subscriber) after the conditions of the Subscription have been fulfilled. The Subscription must be completed on or before 4 November 2011, being 14 days from the date of the Placing and Subscription Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the GEM Listing Rules and require compliance with all the relevant requirements under Chapter 20 of the GEM Listing Rules, including but not limited to, the issue of a separate announcement and approval by the independent Shareholders.

Force majeure

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing and Subscription Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of completion of the Placing if:

- (i) there is any significant change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (ii) there is any material breach of the warranties, representations and undertakings given by the Company and/or the Subscriber in the Placing and Subscription Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (iv) any statement contained in this announcement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

Upon termination of the Placing and Subscription Agreement pursuant to the above mentioned force majeure factors, all liabilities of the parties thereto shall cease and no party of the Placing and Subscription Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing and Subscription Agreement save of any antecedent breach of any obligation under the Placing and Subscription Agreement.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Reasons for the Placing and the Subscription and the 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 Board considers that the Placing and the Subscription represents an opportunity to raise capital for the Group while broadening its Shareholder base, strengthen the capital base and financial position for the Group's future business developments. Further, the Directors consider that the Placing and Subscription is currently a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

Assuming that the Placing Shares are fully placed under the Placing, the gross proceeds of the Subscription will be approximately HK\$25.2 million. The net proceeds, after deducting the commission for the Placing and related fees and expenses, of the Subscription of approximately HK\$24.3 million will be used as general working capital of the Group.

The Directors (including the independent non-executive Directors) consider that the Placing and Subscription Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing and Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Placing and the Subscription are as follows:

Shareholders	Issued share capital as at the date of this announcement		Issued share capital immediately after the Placing and the Subscription assuming 168,000,000 Shares have been placed and subscribed	
	No. of Shares	Approximate percentage	No. of Shares	Approximate percentage
Mr. Cheng Kin Kwan (Chairman)	221,440,000	19.47%	221,440,000	16.96%
Mr. Law Kwai Lam*	38,325,000	3.37%	38,325,000	2.94%
Ms. Leung Mei Sheung, Eliza	13,300,000	1.17%	13,300,000	1.02%
Ms. Zheng Ying Yu	4,900,000	0.43%	4,900,000	0.38%
Ms. Tsang Wai Chun, Marianna	1,500,000	0.13%	1,500,000	0.11%
Mr. Fung Chun Pong, Louis	688,000	0.06%	688,000	0.05%
Mr. Liao Yun	4,510,000	0.40%	4,510,000	0.35%
The Directors	284,663,000	25.03%	284,663,000	21.81%
Placees	—	—	168,000,000	12.87%
Other public Shareholders	852,698,503	74.97%	852,698,503	65.32%
Total	1,137,361,503	100.00%	1,305,361,503	100.00%

* Of the 38,325,000 Shares, 28,325,000 Shares are held by a private company which is wholly-owned by Mr. Law Kwai Lam.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on GEM
“Current General Mandate”	the general mandate granted to the Directors to allot, issue and deal with Shares at the annual general meeting of the Company held on 26 September 2011
“Directors”	directors of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules

“Listing Committee”	the listing committee of GEM for considering applications for listing and the granting of listing
“Placees”	any individuals, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by or on behalf of the Placing Agent to the Placees pursuant to the Placing and Subscription Agreement
“Placing Agent”	Shenyin Wanguo Capital (H.K.) Limited, the Placing Agent and a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing and Subscription Agreement”	the agreement dated 21 October 2011 and entered into among the Company, the Placing Agent and the Subscriber in respect of the Placing and the Subscription
“Placing Price”	the placing price of HK\$0.15 per Placing Share
“Placing Shares”	up to 168,000,000 existing Shares to be placed by the Placing Agent on behalf of the Subscriber under the Placing
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Cheng Kin Kwan, a substantial Shareholder of the Company
“Subscription”	the subscription of the Subscription Shares by the Subscriber at the Subscription Price pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$0.15 per Subscription Share

“Subscription Shares”	up to 168,000,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the terms and conditions of the Placing and Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Timeless Software Limited
Cheng Kin Kwan
Chairman

Hong Kong, 21 October 2011

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

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>.