

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or 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 or transferred all your shares in Timeless Software Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee 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

- (1) RE-ELECTION OF DIRECTORS;
(2) GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(4) ADOPTION OF NEW SHARE OPTION SCHEME; AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

The notice of the annual general meeting of the Company to be held in Hong Kong on 25 September 2013 at 3:30 p.m. (the “**Annual General Meeting**”) is set out on pages 12 to 16 of this circular. Whether or not you are able to attend the Annual General 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, Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion of the proxy form and its return will not preclude you from attending, and voting at, the Annual General Meeting, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at 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.

15 August 2013

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by an ordinary resolution of the Shareholders at the Annual General Meeting
“Annual General Meeting”	the annual general meeting of the Company to be held in Hong Kong on Wednesday, 25 September 2013 at 3:30 p.m. at Conference Hall 01, G/F., Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong or any adjournment thereof
“Articles”	the articles of association of the Company, from time to time as adopted and as amended
“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
“Expired Share Option Scheme”	the share option scheme of the Company adopted by the Company on 28 April 2003
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the GEM listing committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries

DEFINITIONS

“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
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$125,000,000 (divided into 2,500,000,000 Shares) to HK\$250,000,000 (divided into 5,000,000,000 Shares) by creating an additional 2,500,000,000 Shares
“Latest Practicable Date”	12 August 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Share Option Scheme”	the new share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, the principal terms of which are set out in Appendix III to this circular
“Notice of Annual General Meeting”	the notice convening the Annual General Meeting as set out on pages 12 to 16 of this circular
“Option(s)”	option(s) granted or to be granted to Participant(s) to subscribe for Share(s) under the Expired Share Option Scheme or, after its termination, under the New Share Option Scheme
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the Notice of Annual General Meeting
“Participant(s)”	full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary) and any supplier, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Option(s) under the New Share Option Scheme

DEFINITIONS

“Repurchase Mandate”	the proposed general mandate to the Directors to repurchase Shares of no more than 10 per cent. of the aggregate nominal amount of the issued share capital of the Company pursuant to Ordinary Resolution number 5(i) as set out in the Notice of Annual General Meeting in its present or any amended form
“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 general mandate to the Directors to allot, issue and deal with new Shares pursuant to Ordinary Resolution number 5(ii) as set out in the Notice of Annual General Meeting in its present or any amended form
“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
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission

LETTER FROM THE BOARD



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

Executive Directors:

Mr. CHENG, Kin Kwan (*Chairman*)
Mr. LAW, Kwai Lam
Ms. LEUNG, Mei Sheung Eliza
Ms. ZHENG, Ying Yu
Mr. FUNG Chun Pong Louis
Mr. LIAO, Yun
Mr. TAN Felipe
Mr. ZHANG Ming

Registered Office:

Units 111-113, 1st Floor
Enterprise Place, Phase One
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

Independent non-executive Directors:

Ms. TSANG, Wai Chun Marianna
Mr. CHAN, Mei Ying Spencer
Mr. LAM, Kwai Yan
Ms. CHAN Choi Ling

15 August 2013

To the Shareholders,

Dear Sir/Madam,

- (1) RE-ELECTION OF DIRECTORS;
(2) GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(4) ADOPTION OF NEW SHARE OPTION SCHEME; AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with information relating to the Ordinary Resolutions to be proposed at the Annual General Meeting involving but not limited to (a) the re-election of retiring Directors; (b) the Repurchase Mandate and the Share Issue Mandate; (c) the proposed Increase in Authorised Share Capital; and (d) the adoption of New Share Option Scheme.

LETTER FROM THE BOARD

2. RE-ELECTION OF DIRECTORS

The Board currently consists of twelve members, including the following executive Directors:

- (a) Mr. CHENG, Kin Kwan (*Chairman*)
- (b) Mr. FUNG Chun Pong Louis

and the following independent non-executive Directors:

- (c) Ms. TSANG, Wai Chun Marianna
- (d) Mr. CHAN, Mei Ying Spencer

In accordance with Article 105(A) of the Articles, Mr. CHENG, Kin Kwan, Mr. FUNG Chun Pong Louis, Ms. TSANG, Wai Chun Marianna and Mr. CHAN, Mei Ying Spencer shall retire by rotation and, being eligible, have offered themselves for re-election at the Annual General Meeting.

Ms. TSANG, Wai Chun Marianna (“**Ms. Tsang**”) was appointed on 16 October 2003 and she has served the Company as independent non-executive Director for more than nine years as at the Latest Practicable Date.

Code provisions A.4.3 of Appendix 15 Corporate Governance Code and Corporate Governance Report of the GEM Listing Rules recommends that serving more than nine years could be relevant to the determination of a non-executive Director’s independence and that any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by Shareholders.

Notwithstanding that Ms. Tsang has served as independent non-executive Directors for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 5.09 of the GEM Listing Rules, and affirmed that Ms. Tsang remains independent; (ii) the nomination committee of the Company (excluding Ms. Tsang who has abstained from voting) has assessed and is satisfied of the independence of Ms. Tsang; and (iii) the Board considers that Ms. Tsang remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. In view of the factors above and the fact that the experience and knowledge of the relevant individuals in the business sector in which the Company operates, the Board would recommend them for re-election at the Annual General Meeting.

Particulars of each of the retiring Directors proposed to be re-elected are set out in appendix II to this circular. At the Annual General Meeting, Ordinary Resolutions will be proposed to approve their re-election.

LETTER FROM THE BOARD

3. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 30 September 2012, the Directors were granted a general mandate to allot and issue Shares and a general mandate to repurchase Shares. These mandates will lapse at the conclusion of the Annual General Meeting.

Repurchase Mandate

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 on the Stock Exchange of an aggregate amount of up to 10 per cent. of the issued share capital of the Company as at the date of passing such resolution.

As at the Latest Practicable Date, the Company has aggregate of 1,585,061,503 Shares in issue. Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares will be issued and no Shares will be repurchased between the Latest Practicable Date and the date of passing such resolution, the Directors would be authorised to repurchase Shares up to a limit of 158,506,150 Shares, representing 10 per cent. of the issued share capital of the Company as at the date of passing such resolution. The relevant resolution is set out as Ordinary Resolution number 5(i).

Share Issue Mandate

An ordinary resolution will be proposed at the Annual General Meeting that the Directors be given the Share Issue Mandate to exercise all powers of the Company to allot, issue and deal with additional Shares up to 20 per cent. of the aggregate nominal amount of the issue share capital of the Company as at the date of passing such resolution.

Subject to the passing of the resolution for the approval of the Share Issue Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the Annual General Meeting, the Company would be allowed under the Share Issue Mandate to allot, issue and deal with up to a limit of 317,012,300 Shares, representing 20 per cent. of the issued share capital of the Company as at the date of passing such resolution. The relevant resolution is set out as Ordinary Resolution number 5(ii).

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 number 5(iii).

LETTER FROM THE BOARD

In addition, Shareholders should note that the Repurchase Mandate and the Share Issue Mandate (including the extended Share Issue Mandate) will continue to be in force during the period from the date of passing of the resolutions for the approval of the Repurchase Mandate and the Share Issue Mandate until the conclusion of the next annual general meeting of the Company or an earlier date as referred to in paragraph (c) of the Ordinary Resolution number 5(i) or paragraph (d) of the Ordinary Resolution number 5(ii), as the case may be.

Explanatory statement

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 appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate at the Annual General Meeting.

4. INCREASE IN AUTHORISED SHARE CAPITAL

The Company had an authorised share capital of HK\$125,000,000 divided into 2,500,000,000 Shares of which 1,585,061,503 Shares were in issue as at the Latest Practicable Date. The Board proposed to increase the authorised share capital of the Company from HK\$125,000,000, divided into 2,500,000,000 Shares to HK\$250,000,000 divided into 5,000,000,000 Shares by creating an additional 2,500,000,000 new Shares. The new Shares shall rank pari passu with the existing Shares upon issue. The Directors has no present intention of issuing any part of the new Shares.

Reasons for the Increase in Authorised Share Capital

In order to accommodate future issues of Shares as well as to provide the Company with greater flexibility to raise fund by allotting and issuing Shares in the future, as and when necessary, the Board proposed the Increase in Authorised Share Capital.

Condition of the Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the Annual General Meeting. The relevant resolution is set out as Ordinary Resolution number 6.

5. ADOPTION OF THE NEW SHARE OPTION SCHEME

As the Expired Share Option Scheme expired on 27 April 2013, the Board proposes to adopt the New Share Option Scheme for the Company subject to the approval of the Shareholders.

LETTER FROM THE BOARD

The total issued share capital of the Company as at the Latest Practicable Date is HK\$79,253,075.15 divided into 1,585,061,503 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date to the date of the adoption of the New Share Option Scheme, the number of Shares which may fall to be allotted and issued upon exercise in full of New Share Option Scheme would be 158,506,150, representing approximately 10% of the Shares in issue as at the Latest Practicable Date, which is within the overall limit of 30% prescribed under Rule 23.03(3) of the GEM Listing Rules.

Expired Share Option Scheme

The Expired Share Option Scheme expired on 27 April 2013 and no further Options can be granted thereafter. However, all outstanding Options granted prior to such expiration shall continue to be valid and exercisable in accordance with the rules of the Expired Share Option Scheme. The Directors confirm that no further Options were granted under the Expired Share Option Scheme since its expiry. During the term of the Expired Share Option Scheme, a total of 415,050,000 Options have been granted thereunder, 161,340,000 of which have been exercised, 91,862,000 of which have been lapsed or cancelled, and 161,848,000 of which are outstanding. As at the Latest Practicable Date, Options to subscribe for an aggregate of 161,848,000 Shares (representing approximately 10.21% of the total issued Shares as at the Latest Practicable Date) had been granted and remained outstanding under the Expired Share Option Scheme. Save as disclosed above, the Company has no outstanding Options, convertible securities or warrants which confer the right to subscribe for the Shares as at the Latest Practicable Date.

New Share Option Scheme

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognise and motivate the contribution of the Participants to the Group.

The rules of the New Share Option Scheme provide that the Company may specify the Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme unless otherwise specified by the Board at the time of grant. The Board may set appropriate performance target and/or minimum period for the exercise of the Options at the time of the grant of Options under the New Share Option Scheme as and when appropriate. The Directors may at its discretion include any terms, including, among other things, the minimum period for which an Option must be held before it can be exercised. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Participants to acquire proprietary interests in the Company and provide flexibility to the Board at the same time.

LETTER FROM THE BOARD

Subject to the approval of the New Share Option Scheme by the Shareholders, a resolution will be proposed at the Annual General Meeting for the Board to grant options under the New Share Option Scheme for the subscription of not more than 10% of the entire issued capital of the Company (excluding, for this purpose, Options which have lapsed in accordance with the terms of any other share option scheme of the Group) as at the date of the passing of the relevant resolution. The relevant resolution is set out as Ordinary Resolution number 7.

No Directors are trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees of the New Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirement under Chapter 23 of the GEM Listing Rules.

Conditions

The proposed adoption of the New Share Option Scheme is conditional upon:

- (a) the GEM Listing Committee granting approval for the listing of and permission to deal in any Shares which may fall to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (b) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in the Annual General Meeting.

A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in appendix III to this circular on pages 22 to 31. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Units 111-113, 1st Floor, Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

LETTER FROM THE BOARD

6. 2013 ANNUAL REPORT AND ANNUAL GENERAL MEETING

A copy of the annual report of the Company for the year ended 31 March 2013 was despatched to Shareholders on 28 June 2013. A copy of the Notice of Annual General Meeting, to be held in Hong Kong at Conference Hall 01, G/F., Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong at 3:30 p.m. on Wednesday, 25 September 2013 is set out on pages 12 to 16 of this circular.

The Ordinary Resolutions to approve the re-election of Directors, the proposed Increase in Authorised Share Capital, the proposed adoption of New Share Option Scheme and the granting of the Repurchase Mandate and the Share Issue Mandate will be proposed at such meeting.

In accordance with rule 17.47(4) of the GEM Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The Chairman of the meeting will therefore demand a poll for each of the resolutions put to the vote at the Annual General Meeting. An announcement on the poll vote results will be made by the Company after the Annual General Meeting in the manner prescribed under rule 17.47(5) of the GEM Listing Rules.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the Annual General 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, Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, New Territories, 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 Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting, or any adjournment thereof, should you so wish and in such event, the form of proxy should be deemed to be revoked.

7. 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 the information contained in this circular 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 herein or this circular misleading.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors consider that approvals for the re-election of Directors, the proposed Increase in Authorised Share Capital, the proposed adoption of New Share Option Scheme and the granting of the Repurchase Mandate and the Share Issue Mandate are in the best interests of the Company and its Shareholders and so recommend you to vote in favour of the Ordinary Resolutions to be proposed 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.

9. GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolution to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of the Board of
Timeless Software Limited
CHENG Kin Kwan
Chairman & Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING



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 on Wednesday, 25 September 2013 at Conference Hall 01, G/F., Core Building 1, No. 1 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong at 3:30 p.m. (the “**Annual General Meeting**”) to consider and, if thought fit, pass the following ordinary resolutions of the Company:

AS ORDINARY RESOLUTIONS:

- (1) To receive and consider the audited financial statements together with the reports of the directors (the “**Directors**”) and auditors of the Company for the year ended 31 March 2013;
- (2)
 - (i) To re-elect Mr. Cheng Kin Kwan as the executive Director;
 - (ii) To re-elect Mr. Fung Chun Pong Louis as the executive Director;
 - (iii) To re-elect Mr. Chan Mei Ying Spencer as the independent non-executive Director; and
 - (iv) To re-elect, approve and confirm Ms. Tsang Wai Chun Marianna as an independent non-executive Director who has served the Company for more than nine years as an independent non-executive Director.
- (3) To authorise the board of Directors (the “**Board**”) to fix the Directors’ remuneration.
- (4) To re-appoint HLB Hodgson Impey Cheng Limited as the Company’s auditors to hold office until conclusion of the next annual general meeting and to authorise the Board to fix their remuneration; and

As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

- (5)
 - (i) “**THAT**
 - (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined hereunder) of all powers of the Company to purchase ordinary shares of HK\$0.05 each (the “**Shares**”) in the capital of the Company on the Growth Enterprise Market (“**GEM**”) in

NOTICE OF ANNUAL GENERAL MEETING

of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which the Shares may be listed and which is recognised by the Securities and Future Commission of Hong Kong (the “**SFC**”) and the Stock Exchange for such purpose, in accordance with the rules and regulations of SFC, the Stock Exchange or of any such other exchange from time to time and all applicable laws in this regard be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in 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 as at the date of passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;

(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 the articles of association of the Company (the “**Articles**”) or any applicable law to be held; and

(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, pursuant to the Rules Governing the Listing of Securities on GEM, the exercise by the Directors during the Relevant Period (as defined hereunder) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants and securities convertible into Shares), which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (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 (as defined hereunder), (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 arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles in force from time to time 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; and (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 the Articles or any applicable law to be held;
- (C) the revocation or variation of the authority given under 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 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

NOTICE OF ANNUAL GENERAL MEETING

requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (iii) “**THAT** the Directors 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 number 5(ii) in this notice in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”
- (6) “**THAT** the authorised share capital of the Company be increased from HK\$125,000,000 divided into 2,500,000,000 Shares to HK\$250,000,000 divided into 5,000,000,000 Shares by creating an additional 2,500,000,000 new Shares (the “**Increase in Authorised Share Capital**”) and any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital.”
- (7) “**THAT** conditional upon the Stock Exchange granting approval for the listing of, and permission to deal in, on the Stock Exchange, any Shares which may be issued upon the exercise of any options which may be granted under the new share option scheme of the Company (the rules of which are set out in the document marked “A” produced to this meeting and initialed by the Chairman of this meeting for the purpose of identification) (the “**New Share Option Scheme**”), the New Share Option Scheme be and is hereby approved and adopted by the Company and the Directors be and are hereby authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with any Shares pursuant to the exercise of the options which may be granted under the New Share Option Scheme and to do all such acts as the Directors may in their absolute discretion consider necessary or expedient in order to give full effect to the New Share Option Scheme.”

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

Hong Kong, 15 August 2013

Registered Office:
Units 111-113, 1st Floor
Enterprise Place, Phase One
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting convened by the above notice may appoint one or more proxies to attend the Annual General 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 or other 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 Hong Kong at Units 111-113, 1st Floor, Enterprise Place, Phase One, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
3. In the case of joint holders of any shares in the Company any one of such joint holders may vote at the Annual General Meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stand first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
4. Particulars of Mr. Cheng Kin Kwan, Mr. Fung Chun Pong Louis, Ms. Tsang Wai Chun Marianna and Mr. Chan Mei Ying Spencer who offer themselves for re-election are provided in appendix II to the Company's circular dated 15 August 2013.

APPENDIX I REPURCHASE MANDATE EXPLANATORY STATEMENT

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. This explanatory statement also constitutes the memorandum required under section 49BA of the Companies Ordinance.

MAXIMUM NUMBER OF SHARES TO BE REPURCHASED

A maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the proposed resolution may be repurchased on the Stock Exchange. As at 12 August 2013, the Latest Practicable Date, the Company has aggregate of 1,585,061,503 Shares in issue. Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares will be issued and no Shares will be repurchased between the Latest Practicable Date and the date of passing such resolution, the Directors would be authorised to repurchase Shares up to a limit of 158,506,150 Shares, representing 10 per cent. of the issued share capital of the Company as at the date of passing such resolution.

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 the Companies Ordinance and in accordance with 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.

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 Takeovers 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 number (5)(i), then (based on the present shareholdings as at the Latest Practicable Date) the shareholdings of Mr. Felipe Tan (*note*), Mr. Cheng Kin Kwan, and Educational Information Technology (H.K.) Company Ltd. would be increased from approximately 19.56 per cent., 14.95 per cent. and 6.82 per cent. to approximately 21.73 per cent., 16.61 per cent. and 7.58 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 Takeovers Code. However, the Directors have no present intention to exercise the repurchase of Shares to an extent that would result in such takeover obligations.

Note: Mr. Felipe Tan ("Mr. Tan") is deemed to have an interest in 309,974,000 Shares, representing approximately 19.56% of the issued share capital of the Company. The interest includes: (i) 5,062,000 Shares directly held by Mr. Tan; and (ii) 304,912,000 Shares held by Starmax Holdings Limited, a company which is beneficially owned as to 90.01% by Mr. Tan. By virtue of the Securities and Futures Ordinance, Mr. Tan is therefore deemed to have an interest in the Shares in which Starmax Holdings Limited is interested.

APPENDIX I REPURCHASE MANDATE EXPLANATORY STATEMENT

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:-

Year	Month	Highest HK\$	Lowest HK\$
2012	August	0.155	0.120
	September	0.158	0.120
	October	0.138	0.122
	November	0.140	0.121
	December	0.148	0.105
2013	January	0.140	0.126
	February	0.145	0.120
	March	0.151	0.126
	April	0.162	0.118
	May	0.146	0.126
	June	0.139	0.115
	July	0.145	0.123
	August (up to the Latest Practicable Day)	0.175	0.124

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 circular.

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 Articles.

Mr. Cheng Kin Kwan (“Mr. Cheng”), aged 74, 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 received an Honorary Doctor of Management from Lincoln University and also awarded a Honorary Fellow Member of Canadian Chartered Institute of Business Administration. In recognition of his contribution, he was accredited as Information Technology Specialist by the China World Space Science Academy and appointed as Executive Vice President and Honorary Secretary-General of National Bureau JISC Industry Development Strategy Professional Committee. He held various senior positions in software development companies and provided technical consultancies for multinational vendors. At the Latest Practicable Date, Mr. Cheng is interested within the meaning of Part XV of the Securities and Futures Ordinance in 221,440,000 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 (w) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

Mr. Fung Chun Pong, Louis (“Mr. Fung”), aged 60, is the Head of Operations, Hong Kong and is responsible for the overall operations of the Hong Kong region. Mr. Fung joined the Group in October 1998. He has over 30 years of experience in the IT industry and specialises in financial systems. At the Latest Practicable Date, Mr. Fung is interested within the meaning of Part XV of the Securities and Futures Ordinance in 488,000 ordinary shares of the Company, and in 3,900,000 share options and underlying shares. Mr. Fung is not related to any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company and she 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 (w) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

Ms. Tsang Wai Chun, Marianna (“Ms. Tsang”), aged 58, is the director of Chan & Wat, Certified Public Accountants. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong, the Association of Professionals in Business Management, the Society of Registered Financial Planners and the Chartered Institute of Arbitrators. She is appointed as a member of the Board of Review (Inland Revenue Ordinance). Ms. Tsang has over 29 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. She has an MBA and a postgraduate certificate in Professional Accounting. She was appointed as an independent non-executive director in October 2003. As at the Latest

Practicable Date, Ms. Tsang is not interested in any ordinary shares but is interested in 2,000,000 share options and underlying shares, of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Ms. Tsang 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 (w) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

Mr. Chan Mei Ying, Spencer (“Mr. Chan”), aged 56, is an entrepreneur in various industries and a consultant to Infocus Corporation. Mr. Chan has all-round experience in corporate finance, business development, sales and marketing. Mr. Chan studied Computer Science in Melbourne, Australia, before receiving a Master’s Degree in Business Administration from the Chinese University of Hong Kong. He also has attended an executive management program at INSEAD, Fontainbleau, France. He was appointed as an independent non-executive Director in October 2005. As at the Latest Practicable Date, Mr. Chan is not interested in any ordinary shares but is interested in 500,000 share options and underlying shares, of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Chan 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 (w) therein) nor are there other matters that need to be brought to the attention of the Shareholders.

This appendix sets out further information of the New Share Option Scheme and also summarises the rules of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:

NEW SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the Annual General Meeting, notice of which is set out on pages 12 to 16 of this circular:

(a) *Purpose of the New Share Option Scheme*

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognise and motivate the contribution of the Participants to the Group.

(b) *Administration of the New Share Option Scheme*

The New Share Option Scheme shall be subject to the administration by the Directors whose decision shall be final and binding on all parties who may be affected thereby.

(c) *Grant and acceptance of Options*

Subject to the terms of the New Share Option Scheme, the Board may, in its absolute discretion, invite any Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below.

An offer of the grant of an Option shall be made to Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the New Share Option Scheme.

A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Participant together with the said consideration of HK\$1.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on GEM or an integral multiple thereof.

(d) *Exercise of Options and price of Shares*

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a Business Day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant.

(e) *Maximum number of Shares available for issue*

- (i) Subject to the GEM Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time (the "**Overall Limit**"). No Options shall be granted under any share option schemes of the Company (including the New Share Option Scheme) if this will result in the Overall Limit being exceeded.

- (ii) Subject to the Overall Limit, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the “**Scheme Mandate Limit**”), unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (iii) Subject to the Overall Limit, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval (the “**Refreshed Limit**”). Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the Refreshed Limit. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules.
 - (iv) The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 30% of the total issued Shares from time to time. Subject to the Overall Limit, the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules.
- (f) *Grant of Options to connected persons or any of their associates*

Any grant of Options to a connected person or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). Where Options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent nonexecutive Director or their respective

associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the Shareholders' circular to be issued as stated below).

A circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the Options to be granted; (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant; and (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

(g) *Maximum entitlement of each Participant*

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant or grantee (including exercised and outstanding Options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue at the date of grant (the "Individual Limit"). Where it is proposed that any offer is to be made to a Participant (or where appropriate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant or grantee, the number and terms of Options to be granted (and Options previously granted) to such Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of Options to be granted to such Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(h) Time of exercise of Options

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme (the “**Option Period**”).

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme unless otherwise specified by the Board at the time of grant. The Board may set appropriate performance target at the time of the grant of Options under the New Share Option Scheme as and when appropriate.

(i) Restrictions on the time of grant of Options

Grant of Options may not be made after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s quarterly, interim or annual results and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of such results announcement.

(j) Rights are personal to grantees

An Option is personal to the grantee and shall not be assignable. An Option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

(k) Rights on cessation of employment by dismissal

If the grantee of an Option is an employee of the Group and ceases to be a Participant on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence or other grounds on which an employer would be entitled to terminate his or her employment pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment.

(l) *Rights on death*

If the grantee of an Option is an employee of the Group and ceases to be a Participant by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (k) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months following the date of death (or such longer period as the Board may determine), failing which it will lapse.

(m) *Rights on cessation of employment for other reasons*

If the grantee of an Option who is an employee of the Group and ceases to be a Participant for any other reason before exercising the Option in full, the Option (to the extent exercisable as at the date of the cessation and not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable, which date shall be the last actual working with the Company or its subsidiary, whether salary is paid in lieu of notice or not.

(n) *Rights on a general offer*

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent exercisable as at the date on which the general offer or partial offer becomes or is declared unconditional and not already exercised) at any time within thereafter and up to the close of such offer.

(o) *Rights on winding up*

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than five Business Days prior to the proposed general meeting)) exercise the Option (to the extent exercisable as at the date of the notice and not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the

proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

(p) Rights on reconstruction, compromise or arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than five Business Days prior to the proposed general meeting) exercise the Option (to the extent exercisable as at the date of the notice to the Grantee and not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

(q) Cancellation of Options

The Board may at any time cancel any Option granted but not exercised if the grantee so agrees. Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (e)(ii) above. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(r) Effect of alterations to share capital

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price of any Option and/or (iii) the maximum number of Shares available for subscription and/or; (iv) the method of exercise of the Option as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that (i) any such alterations shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment; and (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.

(s) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

(t) *Duration of the New Share Option Scheme*

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the 10th anniversary thereof, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

(u) *Alterations to the terms of the New Share Option Scheme*

- (i) The provisions relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) Any change to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.

- (iv) Any change to the provisions of the New Share Option Scheme as to the certain definitions including but not limited to “Participant” and “Option Period” must be approved by Shareholders in a general meeting.
- (v) Any change to certain provisions of the New Share Option Scheme including but not limited to the provisions relating to alterations to the terms of the New Share Option Scheme, exercise of Options and price of Shares must be approved by Shareholders in a general meeting.

Save as disclosed in the above, the New Share Option Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration. Any alterations to the terms and conditions of the New Share Option Scheme shall also comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(v) *Conditions of the New Share Option Scheme*

The New Share Option Scheme is conditional upon:

- (i) the GEM Listing Committee granting the listing of and permission to deal in any Shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (ii) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in general meeting.

(w) *Lapse of Options*

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (p);
- (iii) the date on which the Directors shall exercise the Company’s right to cancel the Option by reason of a breach of paragraph (j) by the grantee of the Option in respect of that or any other Option; and
- (iv) save as otherwise determined by the Board, the date on which the grantee being an employee of a member of the Group, ceases to be a Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious

misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty (other than an offence which in the opinion of the Directors does not bring the grantee or the Company and its subsidiaries into disrepute).

(x) *Termination*

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

(y) *Miscellaneous*

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (r) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.