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TIMELESS SOFTWARE LIMITED

天時軟件有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 8028)

**SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF
28.57% EQUITY INTEREST IN CYBER GAMES ARENA LIMITED**

Reference is made to the announcement (the “**Announcement**”) of the Company dated 16 May 2018, in respect of the subscription of 28.57% equity interest in Cyber Games Arena Limited by the Subscriber under the Subscription Agreement. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company wishes to provide its shareholders and the public the following additional information in relation to the Subscription.

Business Development and Prospects of the Target Group

The Target Group plans to organise or host more e-sports large-scale events, including E-Sports Festival (電競節) in Hong Kong and Taiwan organised or managed by the Target Company and other large-scale e-sports events organised by other government-subsided body or e-sports related company(ies) as main contractor or sole contractor. In mid-2018, the Target Group will start the set-up of e-sports stadiums in HK and Taiwan and plan to expand its market share in games and games related accessories e-commerce such as gaming gears, headsets, wearable controllers, DIY computers, monitor protection, monitor stands, gaming chairs, etc.

Current Operations and Assets of the Target Group

The Target Group operates an e-sports gaming platform which provides systematic gaming and social services to e-sports enthusiasts. Such e-sports platform has received sponsoring resources from multi-national brands, and has attracted several video game developers and publishers to launch advertisements. The Target Group has also launched network marketing program to provide e-commerce services and offer gaming products in its e-commerce platform and CGA Store.

As at 31 March 2018, the unaudited consolidated total asset value of the Target Company was approximately HK\$4.5 million.

The Target Company is also the owner of the registered trademarks “CYBER GAMES ARENA” and “RETURN OF THE LEGENDS 王者回歸世界邀請賽” in Hong Kong and Taiwan.

Shareholding Structure of the Target Company

Before the Subscription, the Target Company was owned as to 35.00% by Mr. Wan Sai Ho, 17.50% by Mr. Chow Kai Hong Ryan, 17.50% by Mr. Li Ka Chun (being the Guarantors) and the remaining 30% by six other investors. Upon Closing, the Target Company is wholly-owned by Smart Plan Limited, a Hong Kong Company, which in turn is wholly-owned by Summit Soar Limited, the BVI Company. Summit Soar is owned as to 50% by a company (which is held as to 50% by Mr. Wan Sai Ho, 25% by Mr. Chow Kai Hong Ryan and 25% by Mr. Li Ka Chun), approximately 28.57% by the Subscriber and approximately 21.43% by six other investors.

Mr. Wan Sai Ho co-founded the Target Company and is now the General Manager of the Target Company. Mr. Chow Kai Hong Ryan co-founded the Target Company and is now the CEO of the Target Company. Mr. Li Ka Chun Kurt is the co-founder of the Target Company and is now the COO of the Target Company. The Guarantors are co-founders and Chairman/Vice-Chairman of the E-Sports Association Hong Kong (香港電競總會).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the above-mentioned investors and their respective ultimate beneficial owners (if applicable) is an Independent Third Party and has no relationship (business or otherwise) with the Company and any of its connected person other than the Subscription.

Upon Closing, the Target Group will be associates of the Group and be accounted for using the equity method.

As the Guarantors (i.e. the founder members of the Target Group) would like to maintain majority ownership and management control of the Target Company, it was arrived at after arm’s length negotiation for the Group to subscribe for 28.57% interest of the Target Company so that the Guarantors will maintain 50% equity interest in the Target Group after dilution by the allotment and issue of the Subscription Shares to the Subscriber.

There is no other understanding, arrangement, undertaking or agreement (initial or concrete) concerning the Company’s acquire or subscribe further interest in the Target Company.

Profit Guarantee

The Guarantors are willing to provide the Profit Guarantee because the Target Company has achieved rapid growth in revenue and members since its establishment

and e-sports gaming industry is becoming a major global trend. They need funds for further development of the Target Company including but not limited to setting up e-sports stadiums in Hong Kong and Taiwan. They have confidence in the prospect of the Target Company and its ability to meet the Guaranteed Profit.

The Guarantors in aggregate hold 50% equity interest in the Target Group. The Target Group owns gaming and e-commerce platforms with stable revenue streams and some intangible assets such as business reputation and trademarks which are not recorded in its balance sheet. Given the value of their 50% equity interest in the Target Group, the Guarantors should be capable of fulfilling their compensation obligations when the Guaranteed Profit is not fully met.

The Guaranteed Profit was agreed after arm's length negotiation based on the historical financial information of the Target Company and, among others, the following factors:

(a) Event

Event income is mainly composed of sponsor income and event fee for organizing and provision of gaming platform developed by the Target Company. During the year ended 31 March 2017, the Target Company had organised 1 large scale event and around 80 small scale events. During the year ended 31 March 2018, the Target Company had organized 3 large scale events and around 90 small scale events. For the years ending 31 March 2020 and 2021, the Target Company expects to organize 9 large scale events each year. It is expected that the Target Company will continue to organise the three large scale events organised in the year ended 31 March 2018 for the year ending 31 March 2019. The large scale events and small scale events accounted for approximately HK\$18 million and approximately HK\$9 million of the total revenue for the year ended 31 March 2018 respectively. The estimated revenue and the estimated gross profit ratio based on the historical financial information and the estimated growth rate were also considered.

(b) e-Sports Stadium

The Target Company is planning to set up an e-sports stadium in Hong Kong and Taiwan respectively in mid-2018. It is expected that the Hong Kong and Taiwan e-sports stadiums will be equipped with computers and VR rooms. The Target Company is targeting to achieve 40% utilization rate in the year ending 31 March 2020 and 20% growth rate for the year ending 31 March 2021. The planned admission fee for the e-sports stadiums was also considered.

(c) e-Commerce and Retail

The Target Company has started the set-up of e-commerce and retail business in 2018 for games and games related accessories such as gaming gears, headsets, wearable controllers, DIY computers, monitor protection, monitor stands, gaming chairs, etc. The Target Company is targeting to achieve a market share of 0.4% for the year ending 31 March 2020 and 0.5% for the year ending 31 March 2021. As it is difficult to determine the market size and market share achievable by the Target Company, the estimated gross profit from the e-commerce and retail business was not considered in determining the Guaranteed Profit.

(d) Operating cost

The historical and estimated operating expenses of the Target Company for the years ending 31 March 2019, 2020 and 2021 were also considered.

The Directors consider the Guaranteed Profit is reasonably justified and achievable as the Target Company achieved rapid growth in revenue in accordance with its previous audited accounts and management accounts and the above factors. With fast revenue growth, the Target Company ranked the 7th place of the Deloitte Technology Fast 20 Hong Kong Program and also ranked the 36th place of the Deloitte Technology Fast 50 China Program in 2017. In addition, based on a market analysis by a game market research company, the global e-sports market revenue is expected to be growing rapidly. In Hong Kong, e-sports is an emerging new sector with rapid development and high economic potential. The expected price-earnings ratio of the Target Company based on the Profit Guarantee is also considered reasonable by the Directors as compared to some market comparables.

Unlike a sale of shares, the Subscription Price was not and will not be paid to the Guarantors but to the Target Company for the operation and business development of the Target Company. As mentioned above, the Directors consider the Guaranteed Profit is reasonably justified and achievable. In addition to the purpose of compensating the Group in case the Target Group fails to meet the Guaranteed Profit, the Profit Guarantee also serves the purpose of providing an incentive to the Guarantors to leverage their experience, expertise and skills to continue the rapid development of the Target Company. Given that the Target Company has rapid revenue growth and bright prospect and the substantial non-monetary contributions were and will be made by the Guarantors, the Directors consider that the terms of the Profit Guarantee are fair and reasonable and commensurate with the risk and benefits of the Group's investment in the Target Group.

Reasons and benefits of the Subscription

In Hong Kong, e-sports is an emerging new sector with rapid development in recent years and with high economic potential. Although the Target Company was loss making for the year ended 31 March 2018, it has a rapid growth and the revenue of the Target Company increased by more than 2 times for each of the year ended 31 March 2017 and the year ended 31 March 2018 as compared to the relevant preceding year.

Although the Directors do not have direct experience in e-sports business, they have knowledge of e-business under the software business. As the Group has been seeking for projects in potential startups in the IT industry, Mr. Felipe Tan has been developing business connection in e-sports and e-business. In addition, Mr. Chan Mei Ying Spencer, an independent non-executive Director, who obtained a computer science degree from the University of Melbourne, Australia, has been the directors and consultants of certain IT companies and has IT knowledge and background.

The Target Group operates an e-sports gaming platform and e-commerce platform with rich experiences and professionals in the e-sports industry. The Company has experiences in building and operating various platform business, professional

management team, good business connections in the area of software business and finance and funding. The Company aims to synergize the strengths of the two companies to enhance the performance of the e-sports business of the Target Company.

As stated above, the Directors consider that the Guaranteed Profit of HK\$32 million is reasonably justified and achievable. Accordingly, the Directors consider that the Subscription Price, which was determined with reference to, among others, the Profit Guarantee, is fair and reasonable and in the interests of the Company and its shareholders as a whole.

By Order of the Board
TIMELESS SOFTWARE LIMITED
Felipe Tan
Chairman

Hong Kong, 9 July 2018

Executive Directors:

Mr. Felipe Tan (Chairman)

Ms. Lau Yun Fong Carman

Independent non-executive Directors:

Ms. Chan Choi Ling

Mr. Chan Mei Ying Spencer

Mr. Lam Kwai Yan

Ms. Tsang Wai Chun Marianna

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 enquiries, 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 herein or this announcement misleading.

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