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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)

DISCLOSEABLE TRANSACTION IN RELATION TO DEED OF SETTLEMENT AND VARIATION OF TERMS OF DISCLOSEABLE TRANSACTION

DEED OF SETTLEMENT

The Board announces that on 30 June 2021 (after trading hours of the Stock Exchange), the Subscriber and the Guarantors entered into the Deed of Settlement to set out the terms and conditions of the settlement of the payment obligations of the Guarantors in relation to the Profit Guarantee Compensation.

SHARE CHARGE

As security for the due and punctual performance of the obligations of the Guarantors under the Deed of Settlement, on 30 June 2021 (after trading hours of the Stock Exchange), Bloom Explorer as chargor execute the Share Charge in favour to the Subscriber, pursuant to which Bloom Explorer shall charge the Charged Shares in favour to the Subscriber.

GEM LISTING RULES IMPLICATIONS

This announcement is made by the Company pursuant to Rule 19.36 of the GEM Listing Rules, as the entering into of the Deed of Settlement constitutes material variation of the terms of the Subscription Agreement disclosed in the Previous Announcements.

Further, as one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the Deed of Settlement are more than 5% but are less than 25%, the Deed of Settlement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

BACKGROUND

Reference is made to (i) the announcement of the Company dated 16 May 2018 in relation to, among others, the Subscription; (ii) the announcement of the Company dated 9 July 2018 in relation to additional information in relation to the Subscription.

As disclosed in the Previous Announcements, pursuant to the Subscription Agreement, the Guarantors had jointly and severally guaranteed to the Subscriber that the net profit after tax of the Target Group as shown in the audited consolidated financial statements of the Target Company (the “**Audited Financial Statements**”) for the year ended 31 March 2020 and for the year ended 31 March 2021 (the “**Relevant Guaranteed Year(s)**”) (excluding the one-off, non-operational in nature and items not incurred in the ordinary and usual course of business) shall not be in aggregate less than HK\$32,000,000 (the “**Guaranteed Profit**”).

If the net profit after tax (the “**Actual Profit**”) of the Target Group as shown in the Audited Financial Statements for the two Relevant Guaranteed Years in aggregate is less than the Guaranteed Profit, the Guarantors shall pay to the Subscriber a compensation equal to the amount calculated by the following formula (the “**Profit Guarantee Compensation**”):

$$\begin{array}{l} \text{Amount of Profit Guarantee} \\ \text{Compensation} \end{array} = \begin{array}{l} (\text{Guaranteed Profit} - \text{Actual Profit}) \\ \times 28.57\% \end{array}$$

If the Target Group recorded a loss in the Relevant Guaranteed Years in aggregate, for the purpose of calculating the compensation amount, the Actual Profit will be treated as nil.

The Target Group recorded audited loss of approximately HK\$70.05 million for the year ended 31 March 2020 based on its audited financial statements and unaudited profit of approximately HK\$32.32 million for the year ended 31 March 2021 based on its management accounts. The Guarantors considered that the Guaranteed Profit will not be fulfilled and they will be required, jointly and severally, to pay the Profit Guarantee Compensation in the amount of HK\$9,142,400 in accordance with the terms and conditions of the Subscription Agreement.

Upon negotiations among the Subscriber and the Guarantors on 30 June 2021 (after trading hours of the Stock Exchange), the Subscriber and the Guarantors entered into the Deed of Settlement to set out the terms and conditions of the settlement of the payment obligations of the Guarantors in relation to the Profit Guarantee Compensation.

As security for the due and punctual performance of the obligations of the Guarantors under the Deed of Settlement, on 30 June 2021 (after trading hours of the Stock Exchange), Bloom Explorer as chargor execute the Share Charge in favour to the Subscriber, pursuant to which Bloom Explorer shall charge the Charged Shares in favour to the Subscriber.

DEED OF SETTLEMENT

The principal terms of the Deed of Settlement are summarised below.

Date : 30 June 2021

Parties : (i) the Subscriber;
(ii) the Guarantor A;
(iii) the Guarantor B; and
(iv) the Guarantor C

For the full and final settlement of the payment obligations and liabilities of the Guarantors in relation to the Profit Guarantee Compensation, the Guarantors irrevocably and unconditionally, jointly and severally, undertake to pay to the Subscriber the settlement amount (the “**Settlement Amount**”) in the following manner:

- (a) as to HK\$1,000,000 shall be paid to the Subscriber upon the execution of the Deed of Settlement;
- (b) as to HK\$8,142,400 shall be paid to the Subscriber (i) on or before 30 June 2023; or (ii) such earlier date as may be requested by the Subscriber in its absolute discretion by given ten (10) Business Days’ written notice to the Guarantors (whichever is earlier); and
- (c) a further sum accruing at the rate of 5% per annum on the outstanding amount payable by the Guarantors to the Subscriber under paragraph (b) above, calculated on the actual number of days elapsed from the date of the Deed of Settlement and up to the date of payment of such outstanding amount on the basis of a 365-day year, shall be paid to the Subscriber on the date of payment of such outstanding amount.

SHARE CHARGE

Date : 30 June 2021

Parties : (i) Bloom Explorer as the chargor; and
(ii) the Subscriber as the chargee

As security for the due and punctual performance of the obligations of the Guarantors under the Deed of Settlement, Bloom Explorer as chargor execute the Share Charge in favour to the Subscriber, pursuant to which Bloom Explorer shall charge the Charged Shares in favour to the Subscriber.

INFORMATION OF THE GUARANTORS AND BLOOM EXPLORER

Bloom Explorer is a company incorporated in BVI with limited liability and principally engaged in investment holding and is the ultimate beneficial owner of approximately 70.03% of the equity interest in the Target Company. As at the date of this announcement, the equity interest in Bloom Explorer is owned as to 25% by the Guarantor A, 50% by the Guarantor B and 25% by the Guarantor C.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Bloom Explorer, the Guarantors and their respective associates are Independent Third Parties.

INFORMATION OF THE TARGET GROUP

The Target Group is principally engaged in provision of advertising and promotion service of e-sport activities and organization of regular e-sport tournament. It operates an e-sport gaming platform with over 100,000 members and has held over 400 sizable online and offline e-sport competitions and activities annually in Guangdong, Hong Kong, Taiwan and Southeast Asia. As at the date of this announcement, the Target Company is owned as to approximately 70.03% by Bloom Explorer and approximately 29.97% by the Subscriber.

As disclosed in the annual report of the Company for the year ended 31 March 2021, the business of the Target Group, especially the e-sports stadium in Mong Kok, has been severely impacted by the COVID-19 pandemic. To comply with the social distancing and gathering restriction policies, the Target Group had to cancel most of its offline e-sports activities and scaled down the remaining ones, which deteriorated the profitability of the major business of the Target Group. Moreover, its e-sports stadium was ordered to shut down for several months in accordance with the ban imposed by the government, which further worsened its financial position and performance. In consideration of the uncertain duration of the difficult operating environment caused by the epidemic, the Target Group disposed of two subsidiaries to a company owned by one of its founders. The Target Group ceased operating an e-sports stadium and store since the disposal so as to stop loss on such deficit business.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE DEED OF SETTLEMENT AND THE SHARE CHARGE

The Group is principally engaged in (i) the exploration and exploitation of mines; and (ii) research and development and sales agency of bio and nano materials products as well as investments in startup fund, software maintenance and development services.

As disclosed in the annual report of the Company for the year ended 31 March 2021, the business of the Target Group has been severely affected by the rapid spread of COVID-19 and the government-ordered shutdown of the e-sports stadium. Given that the shortfall of the Guaranteed Profit was mainly due to unexpected circumstances which are out of control of the Target Group, and having considered (i) the payment of the Settlement Amount would in effect provide the Group a further sum of compensation in addition to the Guaranteed Profit Compensation; (ii) the execution of the Share Charge which provides security on the payment obligations of the Guarantors under the Deed of Settlement; and (iii) the business prospects and the future development of the Target Group and the e-sports industry as a whole after COVID-19 is contained and eventually disappear, the Directors (including the independent non-executive Directors) considers that the terms of the Deed of Settlement and the Share Charge and the transactions contemplated respectively thereunder are on normal commercial terms or better and are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

This announcement is made by the Company pursuant to Rule 19.36 of the GEM Listing Rules, as the entering into of the Deed of Settlement constitutes material variation of the terms of the Subscription Agreement disclosed in the Previous Announcements.

Further, as one or more of the relevant percentage ratios under the GEM Listing Rules in respect of the Deed of Settlement are more than 5% but are less than 25%, the Deed of Settlement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Actual Profit”	has the meanings ascribed thereto under the section headed “Background” of this announcement
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audited Financial Statements”	has the meanings ascribed thereto under the section headed “Background” of this announcement
“Bloom Explorer”	Bloom Explorer Limited, a company incorporated in BVI with limited liability and the issued shares of which are owned as to 25% by the Guarantor A, as to 50% by the Guarantor B, and as to 25% by the Guarantor C as at the date of this announcement
“Board”	board of the Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Charged Shares”	9,090 Target Shares legally and beneficially owned by Bloom Explorer, representing approximately 70.03% of the issued share capital of the Target Company as at the date of this announcement
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8028)

“Deed of Settlement”	the deed of settlement dated 30 June 2021 and entered into between the Subscriber and the Guarantors to set out the terms and conditions of the settlement of the payment obligations of the Guarantors in relation to the Profit Guarantee Compensation
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange as amended from time to time
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	has the meanings ascribed thereto under the section headed “Background” of this announcement
“Guarantors”	collectively, the Guarantor A, the Guarantor B and the Guarantor C, and where the context requires, can mean either one of them
“Guarantor A”	LI Ka Chun
“Guarantor B”	WAN Sai Ho
“Guarantor C”	CHOW Kai Hong Ryan
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Announcements”	(i) the announcement of the Company dated 16 May 2018 in relation to, among others, the Subscription; and (ii) the announcement of the Company dated 9 July 2018 in relation to additional information in relation to the Subscription
“Profit Guarantee Compensation”	has the meanings ascribed thereto under the section headed “Background” of this announcement
“Relevant Guaranteed Year(s)”	has the meanings ascribed thereto under the section headed “Background” of this announcement

“Settlement Amount”	has the meanings ascribed thereto under the section headed “Deed of Settlement” of this announcement
“Share(s)”	ordinary shares 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”	Time Rich HK Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the subscription of 4,000 shares in Target Company at the consideration of HK\$50,000,000 by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 16 May 2018 and entered into among the Subscriber as subscriber, Cyber Games Arena Limited as company and the Guarantors as guarantors in relation to the Subscription, details of which are disclosed in the Previous Announcements
“Target Company”	CGA Holdings Limited, a company incorporated in BVI with limited liability and the issued shares of which is owned as to approximately 70.03% by Bloom Explorer and as to approximately 29.97% by the Subscriber as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“Target Shares”	the issued shares of the Target Company
“%”	per cent.

By Order of the Board
TIMELESS SOFTWARE LIMITED
Felipe Tan
Chairman

Hong Kong, 30 June 2021

Executive Directors:

Mr. Felipe Tan (Chairman)
Mr. Lam Kai Ling Vincent
Ms. Lau Yun Fong Carman
Mr. Ronald Tan

Independent non-executive Directors:

Ms. Chan Choi Ling
Mr. Lam Kwai Yan
Ms. Tsang Wai Chun Marianna

This announcement, for which the Directors of the Company 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.