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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 SUBSCRIPTION OF 28.57% EQUITY INTEREST IN CYBER GAMES ARENA LIMITED

The Board is pleased to announce that on 16 May 2018 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Target Company and the Guarantors, pursuant to which the Subscriber agreed to subscribe for the Subscription Shares at the Subscription Price, representing approximately 28.57% of the enlarged issued shares of the BVI Company upon Closing.

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirement thereunder.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

THE SUBSCRIPTION

Reference is made to the voluntary announcement of the Company dated 2 May 2018, in respect of the memorandum of understanding in relation to a possible investment.

On 16 May 2018 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Target Company and the Guarantors, pursuant to which the Subscriber agreed to subscribe for the Subscription Shares at the Subscription Price, representing approximately 28.57% of the enlarged issued shares of the BVI Company upon Closing. Details of the Subscription Agreement are as follows:

THE SUBSCRIPTION AGREEMENT

Date: 16 May 2018 (after trading hours)

Parties: (i) the Target Company;
(ii) the Subscriber; and
(iii) the Guarantors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company and the Guarantors and their ultimate beneficial owners is Independent Third Party.

Subject Matter

Pursuant to the Subscription Agreement, the Target Company shall procure the BVI Company to allot and issue, and the Subscriber shall subscribe for, the Subscription Shares. The Subscription Shares represented approximately 28.57% of the enlarged issued shares of the BVI Company immediately upon Closing.

Subscription Price

Pursuant to the Subscription Agreement, the Subscription price shall be HK\$50,000,000, which shall be payable by two instalments. The first instalment of HK\$20,000,000 was paid by way of cheque to the Target Company upon execution of the Subscription Agreement. The second instalment of HK\$30,000,000 will be paid by way of cheque to the Target Company, subject to the Closing, on or before 31 July 2018.

In the event the Closing shall fall through without any fault on the part of the Subscriber, the first instalment shall be returned to the Subscriber, without interest, together with a penalty of HK\$20,000,000 within three (3) Business Days upon the Subscriber's notice in writing.

The Subscription price was arrived at after arm's length negotiations between the Subscriber and the Target Company with reference to (i) the current business, development and prospects of the Target Group; (ii) the audited accounts of the Target Company for the years ended 31 March 2016 and 2017; (iii) the unaudited management accounts of the Target Company for the year ended 31 March 2018; and (iv) the Profit Guarantee as set out below.

Closing

The Closing shall be occurred within three (3) days after the date on which the closing conditions specified in the Subscription Agreement, including but not limited to the completion of the Restructuring and the execution of the Shareholders' Agreement, have been fulfilled or waived, and shall be within one (1) month from the date of the Subscription Agreement or at such other time and place as the Target Company, the Subscriber and the Guarantors shall mutually agree.

Upon Closing, the Group will hold approximately 28.57% of the total issued shares of the BVI Company as enlarged by the Subscription.

Profit Guarantee

Pursuant to the Subscription Agreement, the Guarantors 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 BVI Company (the "**Audited Financial Statements**") for the years ending 31 March 2020 and 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 Company shall appoint and procure the auditors designated by the Target Company and the Subscriber to provide the signed Audited Financial Statements within three (3) months after the expiry of the Relevant Guaranteed Years, and the Target Company shall provide an original copy to the Subscriber within three (3) business days upon receipt of the signed Audited Financial Statements.

Shareholders’ Agreement

Pursuant to the Subscription Agreement, the BVI Company, the Guarantors, the Subscriber and the Investors will enter into the Shareholders’ Agreement in respect of the ownership, management and operations the Target Group upon Closing.

Board composition

The board of directors of each Target Group Company shall comprise four directors, of which three are the Guarantors and one shall be nominated by the Subscriber.

The quorum for a meeting of the board of directors of each Target Group Company shall be two (2) directors, including the director appointed by the Subscriber. Any decisions made by the board of directors shall be approved by a majority of votes.

Pre-emption right

Any transfer of the shares in the BVI Company by a shareholder to a third party will be subject to the right of first refusal of the other shareholders of the BVI Company.

The shareholders of the BVI Company shall have a pre-emption right with respect to any future issue of shares or convertible securities by the BVI Company, provided that the issue price of new shares or the conversion price of the convertible securities shall not be less than HK\$12,500 per share of the BVI Company.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong on 1 June 2012 with limited liability. 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 17,000 members and has held over 100 sizable online and offline e-sport competitions and activities annually in Guangdong, Hong Kong, Taiwan and Southeast Asia with about two million participants. The Target Company has hosted many large-scale events, including E-Sports & Music Festival Hong Kong, E-Sports Festival (Hong Kong & Taiwan), ROG MASTER,

Zotac Cup Masters, etc. and attracted more than a million attendees and 15 million online viewership. The Target Company has had rapid revenue growth since its establishment. With fast revenue growth, the Target Company was 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.

FINANCIAL INFORMATION ON THE TARGET GROUP

Set out below is a summary of the key financial data of the Target Company based on the audited financial statements of the Target Company for the years ended 31 March 2016 and 2017 and the unaudited management accounts of the Target Company for the year ended 31 March 2018 which were prepared in accordance with the generally accepted accounting principles in Hong Kong:

For the year ended	31 March 2016	31 March 2017	31 March 2018
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5,809	12,369	26,920
Net profit (loss) before taxation	(145)	623	(2,166)
Net profit (loss) after taxation	(145)	623	(2,166)

The unaudited consolidated net asset value of the Target Company as at 31 March 2018 was approximately HK\$2.2 million.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in the provision of consultancy and software maintenance services, software development, sales of computer hardware and software and e-Commerce services; and the exploration and exploitation of mines.

A market analysis by Newzoo, a game market research company, represented that the global gaming market revenue in 2017 reached US\$655 million, which is a significant increase of 33% from 2016. Newzoo believes that there will still be a 38% annual growth rate in 2018, and it is expected to reach US\$1.65 billion by 2021. In Hong Kong, e-sports is an emerging new sector with rapid development and high economic potential.

Due to the fast growth in revenue of the Target Company, the Company believes that the e-sports activities fit into the operations of its Software Business and that investment in such a promising company would bring positive returns to the Company. Therefore, the Subscription has strategic and financial significance for the Company.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirement thereunder.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“BVI Company”	Summit Soar Limited, a company incorporated in the British Virgin Islands with limited liability, which has not carried out any business activities since the date of its incorporation
“Closing”	closing of the subscription and issuance of the Subscription Shares, subject to the fulfilment and/or waiver of the closing conditions specified in the Subscription Agreement
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the GEM
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the rules governing the listing of securities on the GEM
“Group”	the Company and its subsidiaries
“Guarantor(s)”	Mr. LI Ka Chun, Mr. WAN Sai Ho and Mr. CHOW Kai Hong Ryan
“HK Company”	Smart Plan Limited, a company incorporated in Hong Kong with limited liability and wholly owned by the BVI Company, which has not carried out any business activities since the date of its incorporation
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company

“Investor(s)”	the shareholder(s) of the Target Company other than the Subscriber and the Guarantors (or its nominee)
“Restructuring”	the proposed acquisition of the entire equity interest in the Target Company by the HK Company, a wholly owned subsidiary of the BVI Company which in turn will be beneficially owned by the Guarantors and the Investors before Closing
“Shareholder(s)”	holder(s) of the issued ordinary share(s) in the share capital of the Company
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between the BVI Company, the Guarantors, the Investors and the Subscriber with respect to the ownership, management and operations of the Target Group upon Closing
“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 by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 16 May 2018 and entered into between the Target Company, the Subscriber and the Guarantors with respect to the subscription of Subscription Shares
“Subscription Price”	a total of HK\$50,000,000, representing HK\$12,500 per Subscription Shares
“Subscription Shares”	4,000 ordinary shares of the BVI Company, representing approximately 28.57% of the enlarged issued shares of the BVI Company upon Closing
“Target Company”	Cyber Games Arena Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company, the BVI Company and the HK Company and each as a “Target Group Company”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

* For identification purposes only

By Order of the Board
TIMELESS SOFTWARE LIMITED
Felipe Tan
Chairman

Hong Kong, 16 May 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.