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China Mobile Games and Cultural Investment Limited

中國手遊文化投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8081)

**MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED CAPITAL
OF THE TARGET COMPANY**

The Board is pleased to announce that after trading hours on 21 April 2015, the Company and the Vendor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company. Subject to adjustment pursuant to the terms of the SP Agreement, the Consideration for the Acquisition is HK\$40,000,000.

Completion is conditional upon the satisfaction of several conditions precedent as more particularly set out in the sub-paragraph headed “Completion and Conditions Precedent” below.

The Acquisition constitutes a major transaction for the Company and is subject to reporting, announcement and shareholders’ approval requirements of Chapter 19 of the GEM Listing Rules. The Company EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the SP Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Note.

A circular containing, among others, (i) details of the Acquisition, the SP Agreement and the transactions contemplated thereunder; (ii) further information of the Target Group; and (iii) the notice of the Company EGM is expected to be despatched to the Shareholders on or before 22 May 2015 as more time is required for the preparation of the information to be contained therein.

The Board wishes to announce that after trading hours on 21 April 2015, the Company and the Vendor entered into the SP Agreement in respect of the Acquisition.

Major terms of the SP Agreement are set out below.

THE SP AGREEMENT

Date

21 April 2015

Parties

- (i) DX.com Holdings Limited (as vendor); and
- (ii) the Company (as purchaser).

As at the date of this announcement, Mr. Hung Kenneth, an executive Director, is also an independent non-executive director of the Vendor. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

Assets to be acquired

The Sale Shares represent the entire issued share capital of the Target Company immediately before Completion.

Consideration

Subject to the adjustment provision as set out below, the Consideration payable by the Company for the Acquisition is HK\$40,000,000, which shall be settled by the Company in the following manner:

- (i) as to HK\$5,000,000, being the initial deposit ("**Deposit**") which shall be paid by telegraphic transfer in immediately available funds by the Company to a bank account designated by the Vendor (or in such any other manner as agreed between the Vendor and the Company) upon signing of the SP Agreement; and
- (ii) as to HK\$35,000,000, being the remaining balance of the Consideration which shall be satisfied by the creation, issue and delivery of the Promissory Note by the Company to the Vendor (or its nominee) at Completion.

Where applicable, in addition to the Consideration, an additional amount ("**Adjustment Amount**") which is determined in accordance with the following formula shall be payable in cash by the Company to the Vendor:

$$A = (B \times 8) - \text{HK\$}40,000,000$$

Where:

“A” means the Adjustment Amount payable by the Company to the Vendor, and it shall be capped at HK\$80,000,000. Where “A” is a negative figure, “A” shall be deemed to be zero; and

“B” means the 2015 Net Profit. Where the 2015 Net Profit is zero or a negative figure, “B” shall be deemed to be zero.

In this context, “2015 Net Profit” means the audited consolidated profit (after tax) of the Target Group attributable to owners of the Company for the financial year ending 30 June 2015 (“**FY 2015**”) according to the audited consolidated financial statements of the Target Group (“**Adjustment Accounts**”) for the FY 2015 prepared in accordance with the Hong Kong Financial Reporting Standards by an accounting firm acceptable to the Company adjusted for any non-recurring items which are recorded in the Adjustment Accounts.

For the avoidance of doubt, no downwards adjustment shall be made to the Consideration. Where “A” referred to in the formula above is a negative figure, the Consideration shall be fixed at HK\$40,000,000 and no part of the Consideration shall be refunded to the Company in any event.

Where the Company is required to pay any Adjustment Amount to the Vendor, the total consideration for the Acquisition shall be equal to the sum of the Consideration of HK\$40,000,000 and the Adjustment Amount.

The Company shall pay to the Vendor the Adjustment Amount (if any) within 30 days after the receipt of the Adjustment Accounts (which is signed off by the relevant auditors) from the Vendor.

The Consideration and the above consideration adjustment provisions were arrived at after arm’s length negotiations between the Vendor and the Company on normal commercial terms principally with reference to the unaudited net profits (after taxation) of the Target Group for the six months ended 31 December 2014 of approximately HK\$5,289,000.

Principal terms of the Promissory Note

The principal terms of the Promissory Note are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$35,000,000
Issue date:	Completion Date
Maturity date:	the day falling on the 180th day after the first issue date of the Promissory Note (“ Maturity Date ”)

Interest:	8% per annum on the outstanding principal amount accrued and payable monthly commencing on the 91st day after the date of issue of the Promissory Note
Transferability:	the Promissory Note is not transferable or assignable to any third party.
Repayment:	The Company may at its sole discretion elect to repay all or any part of the amount outstanding under the Promissory Note at any time prior to the Maturity Date.
Collateral Security:	Nil

Completion and Conditions Precedent

The Completion will take place on the Completion Date, which shall be conditional upon and subject to:

- (i) the Company being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Company may consider necessary) on the Target Group and its assets, liabilities, activities, operations, prospects and other status which the Company, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (ii) the sale of the Sale Shares and other transactions as contemplated under this Agreement having been approved by the shareholders of the Vendor (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the Vendor EGM;
- (iii) the purchase of the Sale Shares, the creation and issue of the Promissory Note and other transactions as contemplated under this Agreement having been approved by the shareholders of the Company (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the Company EGM;
- (iv) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties in connection with the transactions contemplated by this Agreement required to be obtained on the part of the Vendor, the Company and the Target Group having been obtained by the Company;
- (v) the representations, warranties and/or undertakings given by the Vendor under this Agreement remaining true and accurate and not misleading, and there having been no breach by the Vendor; and

- (vi) the Vendor having provided to the Company evidence reasonably satisfied by the Company which shows the completion of the necessary arrangement (“**Capitalisation and Set-off Arrangement**”) to effect the following:
- (a) the settlement of the HK ePRO’s Loan in full (whether by way of setting-off and/or novation);
 - (b) the settlement of the BVI ePRO’s Loan in full (whether by way of setting-off and/or novation); and
 - (c) the capitalisation of the entire amount of the Shareholder’s Loan outstanding immediately prior to the Capitalisation and Set-off Arrangement and in return, the allotment and issue, credited as fully paid, of certain shares in the Target Company by the Target Company to the Vendor to the effect that such shares in the Target Company shall form part of the Sale Shares.

Conditions Precedent (ii) and (iii) above are not capable of being waived by any parties to the SP Agreement. The Company may waive Conditions Precedent (i), (iv), (v) and (vi).

If any of the Conditions Precedent shall not have been fulfilled or (if applicable) waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties hereto hereunder shall cease and terminate, save and except for certain provisions under the SP Agreement which shall remain in full force and effect; and (ii) the Vendor shall within five Business Days after the Long Stop Date return an amount equal to the Deposit, without interest, to the Company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the Cayman Islands with limited liability on 2 August 2000, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8086).

The Vendor and its subsidiaries are principally engaged in (i) e-commerce business and provision of online sales platform; and (ii) provision of professional information technology contract and maintenance services.

INFORMATION ON THE TARGET GROUP

Background information of the Target Group

The Target Company is a company incorporated in BVI with limited liability on 28 March 2000 whose principal business activity is investment holding. As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Vendor.

The Target Company (excluding EPRO Systems Limited) has six subsidiaries located in Hong Kong, Shanghai and Yangzhou and three branch offices in Hangzhou, Nanjing and Shenzhen respectively. The Target Group is principally engaged in provision of professional information technology contract and maintenance services in the PRC and Hong Kong and is a CMMi5 assessed information technology and software outsourcing provider in the PRC and Hong Kong providing tailor-made professional IT solutions for sizable corporate clients and government departments. The core businesses of the Target Group include enterprise software applications and platform development outsourcing services, mobile internet applications and platform development outsourcing services, mainframe downsizing, application localization and systems integration.

With strong software development know-how and years of experience accumulated, the Target Group has established good customers relationship by addressing customers' needs and able to offer "high quality, high efficiency and low cost" outsourcing services to its customers. Revenue of the Target Group was maintained steady throughout the three years ended 30 June 2014 and six months ended 31 December 2014.

Financial information of the Target Group

The unaudited consolidated total asset value and the net liability value of the Target Group as at 31 December 2014 prior to the Restructuring (as defined below), were approximately HK\$158,143,000 and approximately HK\$18,992,000 respectively.

It is expected that upon completion of the Capitalisation and Set-off Arrangement, without taking into account the profit and loss effect of the Target Group after 31 December 2014, the Target Group will have a net asset value of approximately HK\$90,097,000.

The unaudited consolidated financial information of the Target Group for the two years ended 30 June 2014 and six months ended 31 December 2014 is as follows:

	For the year ended 30 June 2013 HK\$'000	For the year ended 30 June 2014 HK\$'000	For the six months ended 31 December 2014 HK\$'000
Revenue	164,866	158,538	73,533
Profit/(Loss) before taxation	13,761	(27,096)	6,722
Profit/(Loss) after taxation	11,329	(27,639)	5,289

Notes:

- In 2014, the Target Company disposed of (i) EPRO Systems (S) Pte Ltd ("**EPRO Singapore**"); (ii) 易寶電腦系統(北京)有限公司 (EPRO Computer Systems (Beijing) Company Limited*) ("**EPRO Beijing**"); and (iii) e-Perfect IT Limited ("**e-Perfect**") and its subsidiaries. Prior to such disposals, EPRO Singapore was 90% owned by the Target Company, and each of EPRO Beijing and e-Perfect was wholly owned by

the Target Company. Details of the disposal of EPRO Beijing were disclosed in the Vendor's announcement dated 17 January 2014 and details of the disposal of e-Perfect were disclosed in the Vendor's announcements dated 10 June 2014, 26 June 2014 and 31 July 2014.

According to the unaudited management accounts of (i) EPRO Singapore; (ii) EPRO Beijing; and (iii) e-Perfect, the revenue of such companies before their respective disposal by the Target Company for the year ended 30 June 2014 were approximately HK\$2,982,000, HK\$9,531,000 and HK\$19,325,000, respectively. The profit/(loss) before taxation of such companies before their respective disposal by the Target Company for the year ended 30 June 2014 were approximately HK\$(287,000), HK\$(1,945,000) and HK\$5,815,000 respectively, and the profit/(loss) after taxation of such companies before their respective disposal by the Target Company for the year ended 30 June 2014 were approximately HK\$(287,000), HK\$(1,945,000) and HK\$4,838,000 respectively. In addition, the revenue of such companies for the year ended 30 June 2013 were approximately HK\$2,260,000, HK\$15,230,000 and HK\$21,020,000 respectively. The profit/(loss) before taxation of such companies for the year ended 30 June 2013 were approximately HK\$(599,000), HK\$1,272,000 and HK\$9,197,000 respectively, and the profit/(loss) after taxation of such companies for the year ended 30 June 2013 were approximately HK\$(599,000), HK\$1,272,000 and HK\$7,653,000, respectively.

2. The Vendor has undertaken to the Company that the Target Company and its subsidiaries shall undergo a restructuring (“**Restructuring**”) so as to exclude EPRO Systems Limited (one of the wholly-owned subsidiaries of the Target Company as of the date of this announcement) itself, without affecting the Target Company's equity interest in its other subsidiaries, from the Target Company immediately before Completion.

Upon Completion, the Target Company will be a wholly-owned subsidiary of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities investment business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

To realise the Group's pan-entertainment strategy, the Group is currently seeking to expand its business scope through acquisitions and entering into cooperation agreement. In addition to core mobile-online game business and provision of games related integral marketing services, the Group is exploring potential business opportunity in building an educational platform through developing mobile applications and computer software. As disclosed in the announcement of the Company dated 5 March 2015, the Group has entered into cooperation agreement with 上海賽果文化傳播有限公司 (Shanghai Saiguo Cultural Media Limited*) to cooperate in a children education activity. Meanwhile, as disclosed in the announcement of the Company dated 25 March 2015, the Group has entered into a memorandum of understanding to consider investing in a company which will develop mobile internet-based O2O interactive live exhibitions.

As of the date of this announcement, the Target Group is principally engaged in provision of professional information technology contract, enterprise software applications and platform development outsourcing services, mobile internet applications and platform development outsourcing services and maintenance services for sizable corporate clients in the PRC and Hong Kong (including a leading Chinese multinational networking and telecommunications equipment and services company and a leading Chinese e-commerce company) and government departments in Hong Kong. The Directors consider that the Acquisition will enable the Group to develop the mobile internet cultural industry business, including but not limited to mobile online game business, entertainment business and mobile online education business by bringing in the Target Group's supports from technical know-how and seasoned management team in provision of tailor-made professional IT solutions and customized software development services, and may also enable the Group to provide services to the Target Group's existing stable customers base, which will create synergy effect and benefit both the business of the Group and the Target Group. The Group also believes the Acquisition could bring in stable income and operating cash flows to the Group.

The Board considers that the terms of the SP Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition constitutes a major transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements of Chapter 19 of the GEM Listing Rules. The Company EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the SP Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Note.

A circular containing, among others, (i) details of the Acquisition, the SP Agreement and the transactions contemplated thereunder; (ii) further information of the Target Group; and (iii) the notice of the Company EGM is expected to be despatched to the Shareholders on or before 22 May 2015 as more time is required for the preparation of the information to be contained therein.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares
“Board”	the board of Directors

“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“BVI ePRO’s Loan”	the entire sum owing by ePRO Ecommerce Group Limited, which is a wholly-owned subsidiary of the Vendor, to the Target Group immediately prior to the Capitalisation and Set-off Arrangement and as at 31 December 2014, such sum amounted to approximately HK\$34,896,000
“Company”	China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8081)
“Company EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the purchase of the Sale Shares by the Company and other transactions as contemplated under the SP Agreement
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Completion Date”	the third Business Day after the last outstanding condition precedent as set out in paragraph “Completion and Conditions Precedent” above (other than those which can only be fulfilled upon Completion) shall have been fulfilled or waived (or such later date agreed by the Vendor and the Company in writing) on which Completion is to take place
“Conditions Precedent”	conditions precedent to the Completion pursuant to the terms and conditions of the SP Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	The consideration payable by the Company for the Sale Shares under the SP Agreement which is subject to adjustment pursuant to the terms of the SP Agreement

“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK ePRO’s Loan”	the entire sum owing by the Target Group to ePRO Ecommerce Limited, which is a wholly-owned subsidiary of the Vendor, immediately prior to the Capitalisation and Set-off Arrangement and as at 31 December 2014, such sum amounted to approximately HK\$15,671,000
“Long Stop Date”	31 July 2015 (or such later date as the Vendor and the Company may agree in writing)
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Promissory Note”	the promissory note of a principal amount of HK\$35,000,000 to be issued by the Company to the Vendor pursuant to the SP Agreement
“Sale Shares”	such number of shares of the Target Company, representing 100% of the issued share capital of the Target Company as at Completion, legally and beneficially owned by the Vendor immediately prior to Completion
“Shares”	shares of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the entire sum owing by the Target Group to the Vendor immediately prior to the Capitalisation and Set-off Arrangement and as at 31 December 2014, such sum amounted to approximately HK\$128,314,000
“SP Agreement”	the sale and purchase agreement dated 21 April 2015 entered into between the Vendor and the Company in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	EPRO (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor immediately prior to Completion
“Target Group”	the Target Company and its subsidiaries immediately before the Completion
“Vendor”	DX.com Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8086)
“Vendor EGM”	an extraordinary general meeting of the Vendor to be convened for the purpose of considering and, if thought fit, approving the sale of the Sale Shares by the Vendor and other transactions as contemplated under the SP Agreement
“%”	per cent.

* *For identification purpose only*

By the order of the Board
China Mobile Games and Cultural Investment Limited
Zhang Peiao
Executive Director

21 April 2015

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Zhang Xiongfeng, Mr. Zhang Peiao and Mr. Hung Kenneth, and (ii) three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in the 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 <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the website of the Company at <http://www.cmgc.com.hk>.