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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)

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE

THE SUBSCRIPTION

On 18 June 2014 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the 381,078,000 Subscription Shares at the Subscription Price of HK\$0.118 per Subscription Share.

The Subscription Shares will be allotted and issued under a specific mandate to be sought at the EGM.

GEM LISTING RULES IMPLICATIONS

Since the Subscriber is beneficially owned by Mr. Zhang Xiongfeng, who is an executive Director and the chairman of the Board, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The EGM will be convened at which resolution will be proposed to seek the approval of the Independent Shareholders for the Subscription Agreement and the transactions contemplated thereunder. The Independent Board Committee has been established to consider the transactions contemplated under the Subscription Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting at the EGM in respect of the resolution regarding the Subscription.

A circular containing, among other things, further details regarding (i) the Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders regarding the Subscription; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM is expected to be despatched to the Shareholders on or before 14 July 2014 as more time is required to prepare the information for inclusion in the circular.

CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION

On 18 June 2014 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, the major terms of which are described below.

THE SUBSCRIPTION AGREEMENT

Date

18 June 2014

Parties

Issuer : The Company

Subscriber : Turbo Pointer Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in securities investment business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber is a company beneficially and wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, and is thus a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules.

Subscription Shares

The Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares.

The 381,078,000 Subscription Shares (of an aggregate nominal value of HK\$38,107,800 or HK\$3,810,780 after the Capital Reorganisation becoming effective) to be allotted and issued under the Subscription represent (i) approximately 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

Conditions Precedent

Completion is conditional upon fulfillment of the following conditions:

- (i) the Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares) having been approved by the Independent Shareholders;
- (ii) the Capital Reorganisation having become effective;
- (iii) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares; and
- (iv) the compliance with the applicable requirements under the GEM Listing Rules by the Company.

None of the above Conditions Precedent is capable of being waived by the parties. If any of the above Conditions Precedent have not been fulfilled on or before 30 September 2014 (or such later date as the Company and the Subscriber may agree in writing), the Subscription Agreement (save and except for the clauses regarding confidentiality and other general provisions) shall cease and determine.

Lock-up of Subscription Shares

During the period of two months from the Completion Date (“**Lock-up Period**”), save with the prior written consent of the Company, the Subscriber shall remain as the sole beneficial owner, free from all encumbrances and third party right, of the Subscription Shares. At any time during the Lock-up Period, the Subscriber shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or disposed of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.118 per Subscription Share represents:

- (i) a discount of approximately 6.35% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on 18 June 2014, being the date of the Subscription Agreement;
- (ii) the average of the closing price of HK\$0.118 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a premium of approximately 3.24% over the average of the closing price of HK\$0.1143 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm’s length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares.

The aggregate Subscription Price will be payable by the Subscriber in cash upon Completion.

Ranking

The Subscription Shares, when fully paid and allotted and issued, will rank pari passu among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Completion

Completion shall take place on the fifth Business Day after the satisfaction of all the Conditions Precedent (or such other date as may be agreed by the Company and the Subscriber in writing).

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under a specific mandate to be sought at the EGM.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in (i) design and research and development of mobile-online games and identifying and securing intellectual property rights for onward sale or licensing; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities and property investments business.

The aggregate gross proceeds of the Subscription will be approximately HK\$44.97 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$44.47 million, representing a net issue price of approximately HK\$0.117 per Subscription Share. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$20.47 million for investment in mobile-online game business as well as its related services offerings when opportunities arise; and (ii) approximately HK\$24 million for repayment of borrowings of the Group.

The Directors consider that the Subscription represents an opportunity to raise additional fund at a reasonable cost to support the Group's investment in the future and reduce the indebtedness of the Group. In addition, the Company believes that as the Subscriber is wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, Mr. Zhang Xiongfeng will be more committed to the furtherance of the development of the Group's business.

The Directors (excluding the independent non-executive Directors whose opinion would be rendered after having obtained the advice from the independent financial adviser) consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

CHANGES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company upon issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)) are set out below:

Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China New Economy Fund Limited	274,608,000	14.41	274,608,000	12.01
Public Shareholders	1,630,844,430	85.59	1,630,844,430	71.32
The Subscriber	—	—	381,078,000	16.67
Total	<u>1,905,452,430</u>	<u>100.00</u>	<u>2,286,530,430</u>	<u>100.00</u>

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Intended use of net proceeds (approximately)	Actual use of the net proceeds as at the date of this announcement
6 June 2014 and 16 June 2014	Issue of 224,166,000 Shares on 16 June 2014 pursuant to the subscription agreement dated 6 June 2014	HK\$22.2 million, (i) approximately HK\$5.2 million of which was intended to be used for funding the consideration of the subscription of 125 new shares in Youle Holdings Limited at the subscription price of an aggregate of RMB4,166,700, details of which are set out in the announcement of the Company dated 28 May 2014; and (ii) approximately HK\$17 million of which was intended to be applied as general working capital of the Group	The net proceeds had not been utilised.

Date of announcement	Fund raising activity	Intended use of net proceeds (approximately)	Actual use of the net proceeds as at the date of this announcement
21 March 2014	Rights issue on the basis of one rights Share for every two Shares held on 23 April 2014 at the subscription price of HK\$0.128 per rights Share	HK\$68.8 million, (i) HK\$2 million of which was intended to be applied for developing the Group's mobile-online game business, including design and research and development of mobile-online games and identifying and securing intellectual property rights; (ii) HK\$61.8 million of which was intended to be applied for the acquisition of 13% issued share capital of Mighty Eight Investments Limited, details of which are set out in the announcement of the Company dated 2 April 2014; and (iii) HK\$5 million of which was intended to be applied for general working capital of the Group	Save that approximately HK\$1 million have been utilised for general working capital, the remaining net proceeds had not been utilised.

Date of announcement	Fund raising activity	Intended use of net proceeds (approximately)	Actual use of the net proceeds as at the date of this announcement
12 November 2013 and 29 January 2014	Placing of 110,000,000 new Shares at HK\$0.128 per Share pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 15 May 2013	HK\$13.4 million was intended to be applied to the development of and investment in software products including but not limited to financial-related software, online games as well as their related service offerings (“ Development Plan ”). It is proposed that such proceeds will be used in the acquisition of 5% issued capital of Mighty Eight Investments Limited	The entire net proceeds had been used for the acquisition of 5% issued capital of Mighty Eight Investments Limited, details of which are set out in the announcement of the Company dated 29 January 2014.
12 November 2013 and 29 January 2014	Placing of 190,000,000 new Shares at HK\$0.128 per Share pursuant to the specific mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 14 January 2014	HK\$23.1 million was intended to be applied to the possible acquisition of a group of companies principally engaging in the development and operation of mobile online games and the Development Plan. It is proposed that such proceeds will be used in the acquisition of 5% issued capital of Mighty Eight Investments Limited, details of which are disclosed in the announcement of the Company dated 29 January 2014	The entire net proceeds had been used for the acquisition of 5% issued capital of Mighty Eight Investments Limited, details of which are disclosed in the announcement of the Company dated 29 January 2014.

GEM LISTING RULES IMPLICATION

Since the Subscriber is beneficially owned by Mr. Zhang Xiongfeng, who is an executive Director and the chairman of the Board, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The EGM will be convened at which resolution will be proposed to seek the approval of the Independent Shareholders for the Subscription Agreement and the transactions contemplated thereunder. The Independent Board Committee has been established to consider the transactions contemplated under the Subscription Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting at the EGM in respect of the resolution regarding the Subscription.

GENERAL

A circular containing, among other things, further details regarding (i) the Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders regarding the Subscription; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of EGM is expected to be despatched to the Shareholders on or before 14 July 2014 as more time is required to prepare the information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone “warning signal 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 signal 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 throughout their normal business hours
“Capital Reorganisation”	the proposed reduction of the par value of each issued existing Share from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each of the issued existing Shares such that each issued existing Share of HK\$0.10 be treated as one fully paid-up share of HK\$0.01 in the share capital of the Company and the application of the credits arising from such capital reduction to set off the accumulated losses of the Company as at the effective date of the Capital Reorganisation (if any) with the balance (if any) to be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company, details of which are set out in the Company’s circular dated 14 February 2014
“Company”	China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription
“Completion Date”	the fifth Business Day after the satisfaction of all the Conditions Precedent (or such other date as may be agreed by the Company and the Subscriber in writing), being the date on which Completion shall take place
“Director(s)”	the directors of the Company

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transaction contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors (namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing)
“Independent Shareholders”	shareholders of the Company other than those who are required by the GEM Listing Rules to abstain from voting on the resolution approving the Subscription Agreement and the transactions contemplated thereunder
“Independent Third Party”	the third party which is independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholders”	the holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Turbo Pointer Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement

“Subscription Agreement”	the subscription agreement dated 18 June 2014 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.118 per Subscription Share
“Subscription Shares”	381,078,000 new Shares to be allotted and issued under the Subscription Agreement to the Subscriber upon Completion
“%”	per cent.

By the order of the Board
China Mobile Games and Cultural Investment Limited
Hung Kenneth
Executive Director

Hong Kong, 18 June 2014

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.computech.com.hk> (or with effect from 2 July 2014, <http://www.cmgc.com.hk>).