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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)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF 70% EQUITY INTEREST IN THE TARGET
AND
MAJOR TRANSACTION:
DEEMED DISPOSAL OF APPROXIMATELY 25.1% INTEREST
IN A SUBSIDIARY**

ACQUISITION

The Board is pleased to announce that, after trading hours on 31 December 2014, Luck Key, a non-wholly-owned subsidiary of the Company, the Vendor and the Warrantor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell and Luck Key has conditionally agreed to acquire the Sale Shares (representing 70% of equity interest in The Target) and the Sale Loan at the aggregate consideration of HK\$11,882,000.

The Target is an investment holding company. The Target owns the entire equity interest in HK Cyclotron, which is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use.

Immediately after Completion, Luck Key will own 70% equity interest in the Target, and the financial results of the Target will be consolidated with the results of the Group.

DEEMED DISPOSAL UPON COMPLETION

Since the Consideration will be satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares by Luck Key to the Vendor on Completion, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of the Consideration Shares, taking into account the existing 90.1% stake in Luck Key, the Group's equity interest in Luck Key will be reduced to approximately 65.0%, the Company is deemed to have disposed of approximately 25.1% equity interest in Luck Key under the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable transaction of the Company under the GEM Listing Rules.

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal, either standalone or in aggregate with the Subscription, are more than 25% but less than 75%, the Disposal will constitute a major transaction of the Company under the GEM Listing Rules and is subject to notification, announcement and Shareholders' approval requirements of Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.24 of the GEM Listing Rules, the Acquisition and the Disposal under the SP Agreement constitute one transaction involving both an acquisition and a disposal and the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to that classification. Accordingly, both the Acquisition and the Disposal are subject to notification, announcement and Shareholders' approval requirements of Chapter 19 of the GEM Listing Rules.

The 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. A circular containing, among others, (i) details of the SP Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM will be despatched to the Shareholders on or before 20 February 2015 to allow sufficient time for the Company to prepare the necessary information to be included in the circular.

THE SP AGREEMENT

Reference is made to the announcement of the Company dated 26 August 2014 in relation to the Subscription.

The Board is pleased to announce that, after trading hours on 31 December 2014, Luck Key, a non-wholly-owned subsidiary of the Company, the Vendor and the Warrantor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell and Luck Key has conditionally agreed to acquire the Sale Shares (representing 70% of equity interest in the Target) and the Sale Loan at the aggregate consideration of HK\$11,882,000.

Major terms of the SP Agreement are set out below.

Date:

31 December 2014

Parties:

- Vendor : Town Health Healthcare Services Limited, a company incorporated in the BVI with limited liability and an investment holding company. The Vendor is wholly-owned by Town Health BVI, which in turn is wholly-owned by Town Health International.
- Warrantor : Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886). Town Health International and its subsidiaries are principally engaged in (i) healthcare business investments; (ii) provision and management of healthcare and related services; and (iii) properties and securities investments and trading.
- Purchaser : Luck Key Investment Limited, a company incorporated in the BVI with limited liability and a non-wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Luck Key is owned as to approximately 9.9% by the Vendor's holding

company (i.e. Town Health BVI) as at the date of this announcement, each of the Vendor, the Warrantor and their ultimate beneficial owners is an Independent Third Party.

Assets to be acquired:

The Vendor has conditionally agreed to sell, and Luck Key has conditionally agreed to purchase, the Sale Shares free from all encumbrances. The Sale Shares represent 70% of equity interest in the Target.

The Vendor has conditionally agreed to assign, and Luck Key has conditionally agreed to accept the assignment of all the Vendor's title, right, benefit and interest to, of and in the Sale Loan in the amount of HK\$6,333,000 absolutely free from all encumbrances with effect from the Completion Date.

Conditions Precedent:

Completion is subject to the fulfilment or (if applicable) waiver of the following Conditions:

- (a) the sale and purchase of the Sale Shares and the Sale Loan, the allotment and issue of the Consideration Shares and other transactions as contemplated under the SP Agreement having been approved by the Shareholders (who are not required to abstain from voting in such respect under the GEM Listing Rules or otherwise) at the EGM;
- (b) Luck Key being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that Luck Key may consider necessary) on the Target Group and its assets, liabilities, activities, operations, prospects and other status which Luck Key, its agents or professional advisers think reasonably necessary and appropriate to conduct;
- (c) (if applicable) the receipt from the Vendor of all such waivers, consents or other documents as Luck Key may require in relation to the completion of the transactions contemplated under the SP Agreement;
- (d) there is no Material Adverse Change or prospective Material Adverse Change; and
- (e) Luck Key being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the Vendor's Warranties remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the Vendor's Warranties or other provisions of the SP Agreement by the Vendor or the Warrantor.

Conditions (a) and (c) are not capable of being waived by any parties to the SP Agreement. Luck Key may waive Conditions (b), (d) and (e).

If any of the Conditions 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 under the SP Agreement shall cease and terminate, save and except for provisions in relation to confidentiality, costs and expenses, miscellaneous matters, notices and governing law and jurisdiction which provisions shall remain in full force and effect, and no party under the SP Agreement shall have any claim against the other save for claim (if any) in respect of any antecedent breach under the SP Agreement.

Consideration

The Consideration payable by Luck Key to the Vendor for the sale and purchase of the Sale Shares and the Sale Loan shall be HK\$11,882,000 of which:

- (a) the purchase price of the Sale Shares shall be HK\$5,549,000; and
- (b) the purchase price of the Sale Loan shall be HK\$6,333,000.

The Consideration shall be satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the issue of the Consideration Shares, upon Completion.

The Consideration (including the consideration for the Consideration Shares) was determined after arm's length negotiations between the Vendor and Luck Key by taking into account (i) the historical financial performance of the Target Group, including its unaudited consolidated net profit after taxation for the ten months ended 31 October 2014 of approximately HK\$2,111,000; (ii) the unaudited consolidated net asset value of Luck Key Group as at 31 October 2014 of approximately HK\$30,698,000; and (iii) the face value of the Sale Loan of approximately HK\$6,333,000.

Completion

Completion will take place on the Completion Date.

Immediately after Completion, Luck Key will own 70% equity interest in the Target, and the financial results of the Target will be consolidated with the results of the Group.

DEEMED DISPOSAL UPON COMPLETION

Since the Consideration will be satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares by Luck Key to the Vendor on Completion, which will represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of the Consideration Shares, taking into account the existing 90.1% stake in Luck Key, the Group's equity interest in Luck Key will be reduced to approximately 65.0%, the Company is deemed to have disposed of approximately 25.1% equity interest in Luck Key under the GEM Listing Rules.

The Disposal will not result in a loss of control by the Group in Luck Key and the Disposal will be recorded as an equity transaction as defined in the Hong Kong Financial Reporting Standards and the accounting policy of the Group. Therefore, it is expected that the Group will not record any gain or loss from the Disposal in the income statement of the Group.

Upon Completion, Luck Key will be owned as to approximately 65.0% by the Group and Luck Key will remain as a subsidiary of the Company after the Disposal.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated under the laws of the BVI with limited liability and is an investment holding company. The Target owns the entire equity interest in HK Cyclotron, a company incorporated under the laws of Hong Kong and is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use. HK Cyclotron is an existing supplier of the Luck Key Group for supplying Fludeoxyglucose 18F ("**18F-FDG**"). 18F-FDG is a kind of PET Radiopharmaceuticals most commonly used for medical diagnostic purposes in the medical imaging modality called positron emission tomography or PET which is used in oncology to study glucose metabolism for diagnosis and staging of diseases, such as cancers and monitor the treatment effects of cancers. Other than the holding of the entire issued share capital of HK Cyclotron, the Target does not have any other material asset.

The unaudited consolidated total assets value and the net liabilities of the Target Group as at 31 October 2014 are approximately HK\$16,535,000 and approximately HK\$2,146,000 respectively. As at 31 October 2014, the Target owed to its shareholders an aggregate sum of HK\$16,600,000. The unaudited consolidated financial information of the Target Group for the year ended 31 March 2013 and nine months ended 31 December 2013 are as follows:

	Year ended 31 March 2013 HK\$'000	Nine months ended 31 December 2013 (Note) HK\$'000
Net (loss)/profit before taxation	(170)	1,760
Net (loss)/profit after taxation	(131)	1,469

Note: After 31 March 2013, the financial year of the Target changed from 31 March to 31 December.

Currently, the Target is indebted to the Vendor a sum of HK\$10,400,000. Upon Completion, the Sale Loan, which amounted to HK\$6,333,000, will be assigned to Luck Key and the Target will remain owing HK\$4,067,000 to the Vendor. Such sum represents 24.5% of the aggregate amount of all the shareholder's loans that the Target owes to its owners (direct and indirect), and such percentage corresponds to the Town Health Group's effective equity interest in the Target upon Completion.

INFORMATION ON THE LUCK KEY GROUP

Luck Key is a company incorporated under the laws of the BVI with limited liability and a non-wholly-owned subsidiary of the Company. Luck Key Group is principally engaged in the provision of medical diagnostic and health check services.

Currently, Luck Key Group is operating an aggregate of 9 health check centres and 2 laboratories which are located in Central, Causeway Bay, Jordon, Mong Kok, Shatin, Tuen Mun and Yuen Long under the brands of "HKHC", "OPUS", "C.T. Scan" and "Yuen Foong". Luck Key Group provides one-stop comprehensive medical diagnostic and health check services with advanced imaging technology and full-range laboratory services. It has approximately 200 experienced medical and healthcare professionals and supporting staff. The flagship centre of Luck Key Group is located in Jordon, Kowloon, which is the first and the only private owned health check centre in Hong Kong to incorporate the three top-end imaging modalities, being 64 Slice CT, 3T MRI and 16 Slice PET/CT, in a single location. The Luck Key Group will relocate the health check centre at Tuen Mun to Sheung Shui in January 2015.

Upon Completion, the Group will hold approximately 65.0% of the issued share capital of Luck Key and Town Health Group will hold approximately 35.0% the issued share capital of Luck Key, and Luck Key will remain as a subsidiary of the Company.

The unaudited consolidated total assets value and the net assets value of Luck Key Group as at 31 October 2014 are approximately HK\$79,927,000 and approximately HK\$30,698,000 respectively. The consolidated financial information of Luck Key Group for the two years ended 31 December 2012 and 2013 are as follows:

	Year ended 31 December 2012 <i>HK\$'000</i> (audited)	Year ended 31 December 2013 <i>HK\$'000</i> (unaudited)
Net profit/(loss) before taxation	20,486	(31,333)
Net profit/(loss) after taxation	21,659	(26,770)

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE SP AGREEMENT

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 investments business.

The Target Group is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use and is the major supplier of raw materials (including 18F-FDG) for the Group's health check business. The Board believes that the Acquisition will allow for a stable supply of the 18F-FDG for the Luck Key Group and enhance operational efficiency of the Group's health check business.

The Directors also consider that the settlement of the Consideration by the allotment and issue of the Consideration Shares is in the interest of the Company and the Shareholders as a whole, as the Group can retain its cash for the Group's future development and operation.

The Directors also consider that as a result of the increase in Town Health Group's equity interests in Luck Key, the relationship between Town Health Group and Luck Key Group can be further strengthened and additional synergetic effects can be provided to Luck Key Group by leveraging on the expertise of the Town Health Group in respect of provision and management of healthcare services which will benefit and complement the business development of Luck Key Group in Hong Kong.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition will constitute a discloseable transaction of the Company under the GEM Listing Rules.

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal, either standalone or in aggregate with the Subscription, are more than 25% but less than 75%, the Disposal will constitute a major transaction of the Company under the GEM Listing Rules and is subject to notification, announcement and shareholders' approval requirements of chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.24 of the GEM Listing Rules, the Acquisition and the Disposal under the SP Agreement constitute one transaction involving both an acquisition and a disposal and the transaction will be classified by reference to the larger of the acquisition or disposal, and subject to the reporting, disclosure and/or shareholder approval requirements applicable to that classification. Accordingly, both the Acquisition and the Disposal are subject to notification, announcement and Shareholders' approval requirements of Chapter 19 of the GEM Listing Rules.

The 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. A circular containing, among others, (i) details of the SP Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the GEM Listing Rules; and (iii) the notice of the EGM will be despatched to the Shareholders on or before 20 February 2015 to allow sufficient time for the Company to prepare the necessary information to be included in the circular.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan
“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
“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 Acquisition and the Disposal
“Completion Date”	the third Business Day after the last outstanding Condition shall have been fulfilled or waived (or such other date agreed by Luck Key and the Vendor in writing) on which Completion is to take place
“Condition(s)”	condition(s) precedent to the Completion as set out in the paragraph headed “Conditions Precedent” of this announcement
“Consideration”	the sum of HK\$11,882,000, being the consideration for the sale and purchase of the Sale Shares and the Sale Loan
“Consideration Shares”	4,570 new shares of Luck Key, which shall represent approximately 27.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of such shares
“Director(s)”	the director(s) of the Company
“Disposal”	the deemed disposal of approximately 25.1% equity interest in Luck Key as a result of the allotment and issue of the Consideration Shares to the Vendor pursuant to the terms of the SP Agreement

“EGM”	the extraordinary general meeting of the Company to be convened to be held for the Shareholders to consider and, if thought fit, to approve, among other matters, the SP Agreement and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“HK Cyclotron”	Hong Kong Cyclotron Laboratories Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party who is a third party independent of the Company and its connected persons and their respective associates (as defined in the GEM Listing Rules)
“Long Stop Date”	31 March 2015 (or such later date as Luck Key and the Vendor may agree in writing)
“Luck Key”	Luck Key Investment Limited, a company incorporated in the BVI with limited liability and is a non-wholly-owned subsidiary of the Company
“Luck Key Group”	Luck Key and its subsidiaries
“Material Adverse Change”	any change (or effect) which has a material and adverse effect on the financial position, business or prospects or results of operations, of the Target Group as a whole
“PET”	the acronym of Positron Emission Tomography
“Sale Loan”	the amount of HK\$6,333,000 owing by the Target to the Vendor and to be assigned to Luck Key at Completion

“Sale Shares”	7 issued shares of US\$1.00 each, representing 70% of the issued share capital in the Target
“Shareholder(s)”	shareholder(s) of the Company
“SP Agreement”	the sale and purchase agreement dated 31 December 2014 entered into between the Vendor, the Warrantor and Luck Key in relation to the Acquisition and the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 1,170 new shares of Luck Key, representing approximately 9.9% of the then issued share capital of Luck Key, by Town Health BVI under the subscription agreement dated 26 August 2014 entered into between Luck Key and Town Health BVI, completion of which took place on 26 August 2014. Details of such subscription are set out in the Company’s announcement dated 26 August 2014
“Target”	Ever Full Harvest Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiary i.e. HK Cyclotron
“Town Health BVI”	Town Health (BVI) Limited, a company incorporated in the BVI with limited liability, the holding company of the Vendor and a wholly-owned subsidiary of Town Health International
“Town Health Group”	Town Health International and its subsidiaries
“Vendor”	Town Health Healthcare Services Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Town Health International
“Vendor’s Warranties”	the representations, warranties and undertakings given by the Vendor and the Warrantor under the SP Agreement

“Warrantor” or “Town Health International” Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3886)

“%” per cent.

On behalf of the Board
China Mobile Games and Cultural Investment Limited
Zhang Xiongfeng
Chairman

31 December 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.cmgc.com.hk>.