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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: DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

After trading hours on 26 August 2014, Luck Key, a wholly-owned subsidiary of the Company, and the Investor entered into the Subscription Agreement, pursuant to which Luck Key has agreed to allot and issue, and the Investor has agreed to subscribe for 1,170 Subscription Shares at the Subscription Price of HK\$2,700,360.

As a result of the allotment and issue of the Subscription Shares to the Investor by Luck Key, which has taken place immediately after the signing of the Subscription Agreement, the Group's interest in Luck Key was diluted from 100% to approximately 90.1%. Such dilution is treated as a deemed disposal by the Company in interest in a subsidiary under Rule 19.29 of the GEM Listing Rules.

The Subscription contemplated under the Subscription Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the notification and announcement requirements of Chapter 19 of the GEM Listing Rules.

Reference is made to the Company's announcement dated 26 May 2014 in relation to the MOU entered into between the Company and Town Health International in respect of the possible investment by Town Health International in Luck Key.

The Board wishes to announce that after trading hours on 26 August 2014, Luck Key, a wholly-owned subsidiary of the Company, and the Investor entered into the Subscription Agreement, pursuant to which Luck Key has agreed to allot and issue, and the Investor has agreed to subscribe for 1,170 Subscription Shares at the Subscription Price of HK\$2,700,360. The major terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date

26 August 2014

Parties

Issuer : Luck Key Investment Limited, a company incorporated in the BVI with limited liability and immediately before the entering into of the Subscription Agreement, a wholly-owned subsidiary of the Company.

Investor : Town Health (BVI) Limited, a company incorporated in the BVI with limited liability. The Investor is a wholly-owned subsidiary of Town Health International, 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Mr. Zhang Xiongfeng, an executive Director and the Chairman of the Board, holds (1) 10,000,000 shares in Town Health International, representing approximately 0.22% of the issued share capital of Town Health International as at the date of this announcement; and (2) options to subscribe for 35,000,000 shares in Town Health International, representing approximately 0.76% of the issued share capital of Town Health International as at the date of this announcement, each of the Investor and its ultimate beneficial owners is an Independent Third Party.

The Subscription

Pursuant to and subject to the terms of the Subscription Agreement, Luck Key has agreed to allot and issue, and the Investor has agreed to subscribe for 1,170 Subscription Shares at the Subscription Price of HK\$2,700,360.

The Subscription Shares represent approximately 9.9% of the issued share capital of Luck Key as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares rank pari passu among themselves and with all the Luck Key Shares in issue on the date of allotment and issue of the respective Subscription Shares.

Further particulars of Luck Key Group are set out in section headed “Information on Luck Key Group” below.

Subscription Price

The Subscription Price shall be paid by the Investor to Luck Key in cash or in such other manner as may be agreed between the Investor and Luck Key.

The Subscription Price was determined after arm’s length negotiations between the parties to the Subscription Agreement on normal commercial terms with reference to the unaudited consolidated net asset value of Luck Key Group as at 31 December 2013 of approximately HK\$24,753,000. The Subscription Price represents approximately 9.9% of the unaudited consolidated net asset value of Luck Key Group as at 31 December 2013 as enlarged by the proceeds from the Subscription.

Closing

Closing has taken place immediately after the signing of the Subscription Agreement.

INFORMATION ON LUCK KEY GROUP

Luck Key is a company incorporated under the laws of the BVI with limited liability and was a wholly-owned subsidiary of the Company prior to Closing. 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.

Upon Closing, the Group holds approximately 90.1% of the issued share capital of Luck Key and the Investor holds approximately 9.9% the issued share capital of Luck Key, and Luck Key remains as a subsidiary of the Company.

The unaudited consolidated total assets value and the net assets value of Luck Key Group as at 31 December 2013 are approximately HK\$96,668,000 and approximately HK\$24,753,000 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	Year ended 31 December 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(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 SUBSCRIPTION

The Group is principally engaged in (i) mobile-online game business, including design, research and development of mobile-online games, 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 investment business.

The Directors consider that the Subscription provides synergetic effects to Luck Key Group by leveraging on the expertise of the Investor in respect of provision and management of healthcare services which will benefit and complement the business development of Luck Key Group in Hong Kong and will enable Luck Key Group to raise capital.

The net proceeds from the Subscription of approximately HK\$2,650,000 will be used for capital expenditure of Luck Key Group.

The terms of the Subscription Agreement were determined after arm's length negotiations between the parties thereto. The Directors are of the view that the terms of the Subscription Agreement are normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As a result of the allotment and issue of the Subscription Shares to the Investor by Luck Key, which has taken place immediately after the signing of the Subscription Agreement, the Group's interest in Luck Key was diluted from 100% to approximately 90.1%. Such dilution is treated as a deemed disposal by the Company in interest in a subsidiary under Rule 19.29 of the GEM Listing Rules.

The Subscription contemplated under the Subscription Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the notification and announcement requirements of Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Closing”	completion of the subscription of the Subscription Shares
“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
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons (as defined in the GEM Listing Rules) of the Company
“Investor”	Town Health (BVI) Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Town Health International
“Luck Key”	Luck Key Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company prior to Closing
“Luck Key Group”	Luck Key and its subsidiaries
“Luck Key Share(s)”	share(s) in the share capital of Luck Key
“MOU”	the memorandum of understanding dated 26 May 2014 made between the Company and Town Health International in connection with the possible investment by Town Health International in Luck Key, details of which are set out in the Company’s announcement dated 26 May 2014
“PRC”	the People’s Republic of China
“Share(s)”	share(s) of the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Investor in accordance with the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 August 2014 entered into between Luck Key and the Investor in relation to the Subscription

“Subscription Price”	the aggregate sum of HK\$2,700,360 for all the Subscription Shares
“Subscription Shares”	1,170 new Luck Key Shares allotted and issued to the Investor upon Closing
“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.

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

26 August 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>.