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**CHINA RAILSMEDIA CORPORATION LIMITED**  
**中國鐵聯傳媒有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code : 745)**

**MAJOR ACQUISITION  
IN RELATION TO  
ACQUISITION OF THE ENTIRE EQUITY IN  
i-MARKER CULTURE & MEDIA INVESTMENTS LIMITED  
AND  
RESUMPTION OF TRADING**

**THE ACQUISITION**

On 27 March 2014, the Purchaser, a directly wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Purchaser, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$2,000 million, which will be satisfied by issue of Convertible Preference Shares. The issue price of the Convertible Preference Shares is HK\$0.80 and the initial conversion price of the Convertible Preference Shares is HK\$0.80.

**INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY**

In order to facilitate the issue of the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Preference Shares, the Board proposed to increase its authorized share capital from HK\$100,000,000 to HK\$400,000,000 by the creation of additional 30,000,000,000 Shares.

\* For identification purposes only

## **IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing, among other matters, further details of the Acquisition and all matters contemplated thereunder and the notice of the EGM are expected to be despatched to the Shareholders on or before 30 April 2014.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Monday, 24 March 2014 pending the publication of inside information of the Company under Part XIVA of the SFO. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 8 April 2014.

**As Completion is subject to the fulfilment of certain conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.**

## **THE ACQUISITION**

On 27 March 2014 (after trading hours of the Stock Exchange), the Purchaser, a directly wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to the Purchaser, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of HK\$2,000 million, which will be satisfied by issue of Convertible Preference Shares.

### **The Sale and Purchase Agreement**

#### *Date*

27 March 2014

#### *Parties*

1. Purchaser: FingerAd Media Company Limited, a wholly-owned subsidiary of the Company
2. Vendor: i-Marker Global Corporation
3. the Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, the Vendor is an Independent Third Party.

*Assets acquired*

The Sale Share represents the entire issued share capital of the Target Company.

The Target Group engages principally in the business segment of film and media related business.

*Consideration*

The consideration for the sale and purchase of the Sale Share is HK\$2,000 million. The Consideration will be satisfied by the Company by the issue of Convertible Preference Shares to the Vendor on Completion. The Convertible Preference Shares will be escrowed by the Company and subject to adjustment mechanism as described in the Profit Guarantee section below.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to:

- (i) the Guaranteed Profits of the audited consolidated net profit after taxation of the Target Group of HK\$400 million for each of the two forth-coming 12 calendar months periods after Completion provided by the Vendor;
- (ii) the average price-to-earnings ratio of approximately 60 times (ranging from 17 times to 107 times) of 5 films or movies related companies which are selected based on the following criteria: (a) in the media and movies industry in the PRC; (b) currently listed on the Stock Exchange; and (c) profit making with price-to-earnings ratio available. The Board understands that there is no directly comparable company listed on the Stock Exchange, however, as the implied price-to-earnings ratio of 5 times of the Acquisition is far below the average of 60 times or the lowest of 17 times above, the Board considers that sufficient discount have been given for the benefits of the Company and the Shareholders as a whole considering the substantial amount of the Guaranteed Profits provided by the Vendor together with the escrow arrangement in respect of the Convertible Preference Shares;
- (iii) the payment schedule of the Consideration in which the Convertible Preference Shares will be escrowed by the Company and shall only be released if the Guaranteed Profits are achieved;
- (iv) the Consideration is settled by the issuance of Convertible Preference Shares. As such, the Company will bear no repayment obligation as compared to other convertible instruments nor any interest obligations; and
- (v) the reasons and benefits for the Acquisition as described below.

The Directors consider the Consideration is fair and reasonable, and the terms of settlement of the Consideration are in the interests of the Company and the Shareholders as a whole.

## *Profit Guarantees*

Pursuant to the Sale and Purchase Agreement, the Vendor guaranteed and warranted to the Purchaser that the audited consolidated net profit after taxation of the Target Group for each of the two forth-coming 12 calendar months periods after Completion, namely, as to the first 12 calendar months periods from the first calendar month to the twelfth calendar month after Completion, and as to the second 12 calendar months periods from the thirteenth calendar month to the twenty-fourth calendar month after Completion (the “**Two Relevant Periods**”), shall not be less than HK\$400 million (the “**Guaranteed Profits**”).

In the event the Guaranteed Profits are not achieved in any of the Two Relevant Periods, the Purchaser shall be entitled to deduct a compensation sum of HK\$X from the Convertible Preference Shares in the corresponding period of the **Two Relevant Periods** based on the following formula:

$$\text{HK\$X} = (\text{HK\$400 million} - \text{actual consolidated net profit after taxation of the Target Group achieved}) \times 2.5 \text{ times}$$

The multiple 2.5 times represents the price-to-earnings multiple derived by reference to the value of Consideration over the total aggregate Guaranteed Profits for the Two Relevant Periods.

The maximum compensation sum for each of the Two Relevant Periods is capped at 50% of the Consideration. In each of the Two Relevant Periods, 50% of the Convertible Preference Shares shall be held under escrow (“**Corresponding Convertible Preference Shares under Escrow**”) to pledge against the Guaranteed Profit. If the audited consolidated net profit after tax for the relevant period falls short of the Guaranteed Profits, the Company shall have the full discretion to deduct such compensation sum from the Corresponding Convertible Preference Shares under Escrow and to dispose of such deducted Corresponding Convertible Preference Shares under Escrow and shall be fully entitled to the proceeds received for its general working capital purposes. Subject to any compensation sum to be deducted from it in any of the Two Relevant Periods, any remaining Corresponding Convertible Preference Shares under Escrow shall be released by the Company to the Vendor within three business days after the corresponding audited report of that relevant period has been presented to the Purchaser.

The Guaranteed Profits shall be calculated in accordance with the prevailing Hong Kong Financial Reporting Standards from time to time. Pursuant to the Sale and Purchase Agreement, the audited report for each of the Two Relevant Periods shall be completed and presented to the Purchaser within three (3) months after the period end of each of the Two Relevant Periods.

Further announcement will be made by the Company in the event that the Guaranteed Profits cannot be fulfilled. There is no profit adjustment mechanism to the Consideration in case the actual audited consolidated net profit for the relevant period exceeds the Guaranteed Profits.

### *Conditions precedent*

Completion of the sale and purchase of the Sale Share is conditional upon, among other things, the satisfaction (or, if applicable, the waiver) of certain conditions precedent. Such conditions precedent include the following:

- (a) the approval of the Shareholders at the EGM of the increase in authorized share capital of the Company, the Sale and Purchase Agreement, the issue of the Convertible Preference Shares and transactions contemplated thereunder;
- (b) the Purchaser being satisfied with the results of the due diligence review to be conducted under the Sale and Purchase Agreement;
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;
- (d) no material adverse change having occurred to the business, assets, financial position and performance of the Target Group and the Company;
- (e) the warranties on the Target Group given by the Vendor being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the date of completion of the Acquisition;
- (f) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked; and
- (g) the Target Group shall demonstrate to the satisfaction of the Purchaser that any of the film related business, including but not limited to film importation, distribution, production, and the development and operation of film studio complex together with its ancillary services and properties – the Hollywood Cultural Creativity Film & TV Studio Complex, has been kicked off with a minimum of profit before taxation of RMB1,000,000 being record in the accounts of the Target Group.

The above conditions precedent are required to be fulfilled or waived on or before the Long Stop Date unless being extended by both parties. The above conditions precedent (a) and (c) cannot be waived. The Company is entitled to exercise its discretion to waive the fulfillment of the above conditions precedent (b), (d), (e), (f) and (g), and as at the date of this announcement, the Company has no intention to waive any of such conditions.

In the event that such conditions could not be fully satisfied, the waiver of any of such conditions is to be determined by the Board after consideration of the interests of the Company and the Shareholders as a whole.

## *Completion*

Completion of the Acquisition is scheduled to take place on the fifth business day when all the conditions precedent to which completion is subject have been fulfilled or, if applicable, waived.

## **The Convertible Preference Shares**

The principal terms of the Convertible Preference Shares are as follows:

Issuer: The Company

Number of Convertible  
Preference Shares: 2,500,000,000

Notional Value: The issue price of each Convertible Preference Share is HK\$0.80

Conversion price: Initially, Convertible Preference Shares of an amount equivalent to HK\$0.80 shall be convertible into one Share.

The conversion price will be subject to adjustments for subdivision or consolidation of Shares.

Dividend: Convertible Preference share(s) shall not carry any right to any dividend

Conversion rights: Convertible Preference Shares are convertible at the option of the holder at any time after any adjustment was duly made under the section headed “Profit Guarantees” above.

No conversion shall take place if:

1. to do so would result in the Conversion price being issued at a price below their par value as at the applicable conversion date; or
2. to the extent that following such exercise, the relevant holder of Convertible Preference Share and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; or

3. immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange; or
4. the Directors are of the opinion that such conversion is or would result in the non-compliance of any of the terms and conditions of the Convertible Preference Shares.

Accordingly, the Company has the right not to issue any Conversion Shares to such holder(s) of Convertible Preference Shares exercising the conversion rights in the above circumstances. The Company has no right to redeem the Convertible Preference Shares under the above circumstances.

**Redemption:**

Neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares, other than for the purpose of conversion of the Convertible Preference Shares pursuant to the terms of the Convertible Preference Shares.

**Ranking:**

The Convertible Preference Shares rank, in priority to the Shares as to return of capital.

**Voting rights:**

Holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.

**Listing:**

No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange.

**Transferability:**

The Convertible Preference Shares are freely transferable, provided that if any Convertible Preference Share(s) is/are intended to be transferable to a connected person (as defined in the Listing Rules) of the Company (other than the associates (as defined in the Listing Rules) of the holder of the transferring Convertible Preference Shares), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange (if any).

The conversion price of HK\$0.8 per Convertible Preference Share has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor, with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares.

The conversion price of HK\$0.80 per Convertible Preference Shares represents:

- (i) a premium of approximately 9.59% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 22.78% to the average of the closing prices of approximately HK\$1.036 per Share for the 5 consecutive trading days immediately prior to the Last Trading Day.

The maximum of 2,500,000,000 Conversion Shares to be issued upon full conversion of the Convertible Preference Shares represent approximately:

- (a) 47.37% of the existing issued share capital of the Company; and
- (b) 32.14% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Preference Shares.

The Conversion Shares shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company and it also provides corporate management services. Its subsidiaries are principally engaged in the provision of advertising business and building construction related works.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is engaged in media and film related business, including but not limited to film importation, distribution, production, and in the development and operation of film studio complex together with its ancillary services and properties – the Hollywood Cultural Creativity Film & TV Studio Complex (the “Hollywood Complex”).

Pursuant to a cooperation agreement between CNCAC and the Target Company, CNCAC, which is responsible for matters in relation to qualification and license for film importation and distribution in the PRC, has agreed to exclusively cooperate with the Target Company on the film importation and distribution business in the PRC.

Pursuant to a cooperation agreement regarding the Hollywood Complex (the “Studio Complex Agreement”) between the Target Company and Beijing North Enterprise Group (北京北方企業集團公司; hereinafter referred to as “BNEG”), BNEG, being holder of the land-use rights of a plot of land located at Liucun Town, Changping District, Beijing (the “Plot of Land”), with a gross area of approximately 126.78 hectares, has agreed to exclusively cooperate with the Target Company on the development and operation of the Hollywood Complex. Pursuant to the Studio Complex Agreement, BNEG will utilize the Plot of Land for development of the Hollywood Complex, dealing with all matters in relation to the compliance with requirements of local authorities including Beijing Municipal Government, while the Target Company shall assist in the works of BNEG and providing consulting services to the development and operation of the Hollywood Complex, including the introduction of Hollywood and/or world-class design companies for the design and development of the Hollywood Complex, the introduction of Hollywood and/or world-class operators to the project, the organisation and coordination of top-tier professional firms for the construction and development of the Hollywood Complex, the coordination and supervision of the works and progress of the project, and the introduction of investors to the project. Accordingly, the Target Company is entitled to an annual consultancy fee of RMB20 million and a 70% profit sharing in the project.

### **Financial information on the Target Company**

The consolidated net liabilities of the Target Group as at 31 December 2013 was approximately HK\$68,000.

The consolidated net loss before and after taxation and extraordinary items of the Target Group for the period from 8 Jan 2013 (date of incorporation) to 31 December 2013 are set out below:

	<b>Year ended 31 December 2013</b>
Net losses before taxation and extraordinary items	Approx. HK\$69,000
Net losses after taxation and extraordinary items	Approx. HK\$69,000

The Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group upon Completion.

### **REASONS FOR THE ACQUISITION**

Further to the Group’s recent efforts in diversifying into the new cultural and entertainment business, the Group has successfully secured a partnership agreement with the Target Company as announced by the Company on 27 March 2014, pursuant to which the Group shall raise all necessary fund for the business under such partnership agreement and be responsible for all the operation thereunder while only share 50% of the profits for the coming 10 years. Given due consideration of the strategic position of the Group in such cooperation arrangement, the Directors promptly negotiated with the Vendor to acquire the Target Company directly.

The diversification into the film importation, distribution, production and related business and media industry, and into the development, operation and consultancy services in respect of the Hollywood Complex, through the Acquisition is expected to bring positive contributions to the Group in the long run.

The Group is expected to benefit from the Acquisition for the following principal reasons:

- (a) the Acquisition will allow the Company to tap into the film, media and related market in the PRC, in particular, the film and TV content importation, distribution, production business, and the film studio complex business, which has a high entry barrier; and
- (b) the Vendor have guaranteed the Guaranteed Profits and would be able to bring positive contribution to the Group if successfully materialised.

The Directors are of the view that the Acquisition represents a good opportunity for the Group to tap into the promising media related market in the PRC.

Given the Profit Guarantees for the Two Relevant Periods and the escrow arrangement, the Directors (including independent non-executive Directors) consider the terms of the Sale and Purchase Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

The following chart sets out the shareholding structure of the Company, (i) as at the date of this announcement and (ii) after the issue of the Conversion Shares.

	As at the date hereof		Conversion Price (note 1)		Immediately after completion of the Acquisition and assuming full conversion of the Convertible Preference Shares at the initial Conversion Price but subject to the conversion restriction	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendor	–	–	2,500,000,000	32.14	2,262,012,857	29.99%
Public Shareholders	<u>5,278,030,000</u>	<u>100%</u>	<u>5,278,030,000</u>	<u>67.86</u>	<u>5,278,030,000</u>	<u>70.01%</u>
Total	<u>5,278,030,000</u>	<u>100%</u>	<u>7,778,030,000</u>	<u>100%</u>	<u>7,540,042,857</u>	<u>100%</u>

*Notes:*

1. This column is hypothetical and for illustrative purpose only as the conversion of the Convertible Preference Shares is subject to the conversion restrictions set out under section “Convertible Preference Shares” above.

## **INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY**

As at the Latest Practicable Date, the authorized and issued share capital of the Company are HK\$100,000,000, divided into 10,000,000,000 Shares, and HK\$52,780,300, divided into 5,278,030,000 Shares, respectively. In order to facilitate the issue of the Conversion Shares which may be allotted and issued upon exercise of the conversion rights attaching to the Convertible Preference Shares, the Board proposed to increase its authorized share capital from HK\$100,000,000 to HK\$400,000,000 by the creation of additional 30,000,000,000 Shares.

## **IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders’ approval requirements.

A circular containing, among other matters, further details of the Acquisition and all matters contemplated thereunder and the notice of the EGM are expected to be despatched to the Shareholders on or before 30 April 2014.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Monday, 24 March 2014 pending the publication of inside information of the Company under Part XIVA of the SFO. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 8 April 2014.

**As Completion is subject to the fulfilment of certain conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	the acquisition of the Sales Shares in accordance with the Sale and Purchase Agreement
“BVI”	the British Virgin Islands

“CNCAC”	中國文化藝術有限公司 (China National Culture & Art Company Limited*), a state-owned enterprise established under the Ministry of Culture of the PRC
“Company”	China Railsmedia Corporation Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Consideration”	the consideration of HK\$2,000,000,000 payable by the Purchaser for the Sale Shares under the Sale and Purchase Agreement
“Conversion Shares”	new Shares to be issued upon exercise of the conversion rights attached to the Convertible Preference Shares
“Convertible Preference Share(s)”	2,500,000,000 new convertible preference shares of HK\$0.80 each to be issued by the Company at Completion to the Vendor at the issue price of HK\$0.80 per Convertible Preference Share, credited as fully paid, for the purpose of settlement of part of the Consideration
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	a party and, if applicable, the ultimate beneficial owner of the party who is not fallen into the definition of connected persons of the Company under Chapter 14A of the Listing Rules and independent of the connected persons of the Company and their associates (as defined in the Listing Rules)
“Last Trading Day”	24 March, 2014 the last trading day prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Long Stop Date”	30 September 2014 (or such other date as the Company and the Vendors may agree)
“Purchaser”	FingerAd Media Company Limited, a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 27 March 2014 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Shares
“Sale Share”	1 ordinary shares of the Target Company, representing its entire issued share capital
“SFO”	the Securities and Futures Ordinance (CAP. 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	i-Marker Culture & Media Investments Limited, a wholly-owned subsidiary of the Vendor, incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiary
“Vendor”	i-Marker Global Corporation, a company incorporated in the BVI with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the Board  
**CHINA RAILSMEDIA CORPORATION LIMITED**  
**Bondy Tan**  
*Director*

Hong Kong, 7 April 2014

*As at the date of this announcement, the Board comprises, Mr. Tan Bondy, Mr. Tsui Wing Tak and Ms. SUN Wei as Executive Directors and Mr. Liu Kwong Sang, Mr. MA Qianli, Dr. Wan Ho Yuen, Terence and Ms. Wang Miaojun as Independent Non-Executive Directors.*