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SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 58% OF THE ENTIRE ISSUED SHARE CAPITAL OF DIGITAL EXTREMES

Reference is made to the Company's announcement dated 30 June 2014 in relation to the entering into of the Term Sheet, pursuant to which the Purchasers intended to acquire, and the Vendors intended to sell, shares of Digital Extremes, a company incorporated under the laws of Ontario, Canada, and is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games, subject to, amongst others, due diligence and the execution of definitive agreements.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 14 October 2014 (after trading hours), the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes entered into the Acquisition Agreement pursuant to which Multi Dynamic Games, an indirect wholly-owned subsidiary of the Company, and Perfect Online conditionally agreed to severally but not jointly acquire the Sumpo Sale Shares (representing 58.0% of the entire issued share capital of Digital Extremes) and the PW Sale Shares (representing 3.0% of the entire issued share capital of Digital Extremes) respectively from the Vendors for an aggregate consideration of US\$73.2 million (equivalent to approximately HK\$567.3 million) (subject to adjustment), of which US\$69.6 million (subject to adjustment) is attributable to the Sumpo Sale Shares and the balance of US\$3.6 million (subject to adjustment) is attributable to the PW Sale Shares. The US\$40.0 million of Consideration is to be satisfied by the Purchasers in cash at the Closing, and the balance is to be satisfied by the Purchasers in cash at the Settlement Date.

Upon Closing, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Upon Closing, Digital Extremes will become an indirect non-wholly owned subsidiary of the Company and the common shares of Digital Extremes will be owned as to 58.0%, 3.0%, 26.1%, 2.8%, 3.9% and 6.2% by Multi Dynamic Games, Perfect Online, Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 58.0%, 3.0% and 39.0% by Multi Dynamic Games, Perfect Online and Ontario Ltd. 1, respectively.

GENERAL

The EGM will be convened to consider and approve the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Acquisition Agreement. Therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further information on the Acquisition; (ii) further information on the business of Digital Extremes; (iii) the accountants' report on Digital Extremes; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules, shall be despatched to the Shareholders on or before 4 November 2014.

As the Closing is subject to the satisfaction of the respective conditions precedent under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 14 October 2014 (after trading hours), the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes entered into the Acquisition Agreement pursuant to which Multi Dynamic Games and Perfect Online conditionally agreed to severally but not jointly acquire the Sumpo Sale Shares (representing 58.0% of the entire issued share capital of Digital Extremes) and the PW Sale Shares (representing 3.0% of the entire issued share capital of Digital Extremes) respectively from the Vendors at an aggregate consideration of US\$73.2 million (equivalent to approximately HK\$567.3 million) (subject to adjustment).

The principal terms of the Acquisition Agreement are set out below:

Date

14 October 2014 (after trading hours)

Parties

Purchasers:	Multi Dynamic Games; and Perfect Online
Vendors:	Ontario Ltd. 1; Ontario Ltd. 2; Ontario Ltd. 3; and Digital Extremes Employee Share Trust
Vendor Guarantors:	Mr. James Schmalz; Mr. Michael Schmalz; and Mr. Steve Sinclair
Other signing party:	Digital Extremes

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Perfect Online, the Vendors, the Vendor Guarantors and Digital Extremes are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

As at the date of this announcement, each of Ontario Ltd. 1, Ontario Ltd.2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust holds approximately 67.0%, 7.0%, 10.1% and 15.9% of the voting share capital of Digital Extremes, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, are wholly-owned by Ontario Ltd. 1. Mr. James Schmalz, Mr. Michael Schmalz and Mr. Steve Sinclair are the sole shareholders or otherwise control each of Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3, respectively. The principal activities of Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3 are investment holding.

Assets to be acquired

The Sale Shares represent 61% of the entire issued share capital of Digital Extremes. Of the Sale Shares, Multi Dynamic Games conditionally agreed to acquire the Sumpo Sale Shares, representing 58.0% of the entire issued share capital of Digital Extremes. The remainder of the Sale Shares is to be acquired by Perfect Online.

Upon Closing, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of US\$73.2 million (equivalent to approximately HK\$567.3 million) (subject to adjustment) shall be satisfied by the Purchasers in accordance with their respective acquisition percentages in cash in the following manner:

- (i) US\$40.0 million (equivalent to approximately HK\$310.0 million) (the “**Cash Consideration**”) shall be payable by the Purchasers to the Vendors at the Closing; and
- (ii) the balance of the Consideration of US\$33.2 million (equivalent to approximately HK\$257.3 million) (subject to adjustment) (the “**Balance Consideration**”) shall be payable by the Purchasers to the Vendors on the third Business Day after the final determination of the Closing Statements and adjusted Consideration, or at such other time and date as may be mutually agreed upon by the Vendors and the Purchasers (the “**Settlement Date**”).

For the avoidance of doubt, of the Consideration of US\$73.2 million (equivalent to approximately HK\$567.3 million), the amount payable by Multi Dynamic Games and Perfect Online for the Sumpo Sale Shares (representing 58.0% of the entire issued share capital of Digital Extremes) and the PW Sale Shares (representing 3.0% of the entire issued share capital of Digital Extremes) shall be US\$69.6 million (equivalent to approximately HK\$539.4 million) and US\$3.6 million (equivalent to approximately HK\$27.9 million) respectively (subject to adjustment).

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was determined after having taken into account, among other things, (i) the historic financial performance of Digital Extremes; (ii) the Expected Operational Target and the possible adjustments to the Consideration as summarized in the section headed "Consideration adjustments" below; (iii) the assessment on the prospects of the video game industry by the Company's management; and (iv) the future development of Digital Extremes, in particular the prospects of its self-developed titles.

Security for Balance Consideration

The Balance Consideration shall be secured by a pledge of the Sale Shares (the "**Share Pledge**"). If any or all Purchaser(s) fail(s) to pay its portion of the Balance Consideration when due on the Settlement Date, and none of the Purchasers has remedied such failure by paying the unpaid portion of the Balance Consideration within seven Business Days after the Vendors have delivered a written notice to the Purchasers to request for such payment, (i) the Purchasers shall transfer back to the Vendors the Sale Shares; (ii) the Vendors shall be entitled to retain the Cash Consideration as liquidated damages; and (iii) the Vendors shall return any portion of the Balance Consideration received by it to the Purchaser that paid such amount.

Consideration adjustments

If the Actual Operational Results is less than the expected operational target of US\$20 million (the "**Expected Operational Target**"), the Consideration shall be reduced by an amount (the "**Deducted Amount**"), which shall be calculated by using the following formula:

$$D1 = (X1 - X2) / X1 * US\$73,200,000$$

Where:

D1 = Deducted Amount

X1 = Expected Operational Target (being US\$20,000,000)

X2 = Actual Operational Results

The Deducted Amount shall be applied to reduce the Balance Consideration.

If the Deducted Amount exceeds US\$33.2 million (equivalent to approximately HK\$257.3 million), the Covenantors shall on the Settlement Date, unconditionally and irrevocably pay each Purchaser an amount (the "**Indemnified Amount**"), which shall be calculated by using the following formula:

$$(D1 - US\$33,200,000) * A / 61\%$$

Where:

D1 = Deducted Amount

A = For Multi Dynamic Games: 58.0%

For Perfect Online: 3.0%

(provided that if Multi Dynamic Games has exercised Sumpo's Right and acquired all of the Sale Shares, then Multi Dynamic Games shall be entitled to the entire Indemnified Amount, i.e., for Multi Dynamic Games, "A" shall be 61%, and for Perfect Online, "A" shall be 0%)

Under no circumstances shall the aggregate Indemnified Amount payable to the Purchaser(s) by the Covenantors exceed US\$40.0 million (equivalent to approximately HK\$310.0 million).

For the avoidance of doubt, (i) the Deducted Amount shall only be applied to reduce, but not to increase, the Consideration; and (ii) if the Deducted Amount exceeds US\$33.2 million, the Purchaser(s) shall no longer be liable to pay any of the Balance Consideration and the Vendors shall immediately, unconditionally and irrevocably release all security interest under the Share Pledge.

Permitted Distributions

Prior to the Closing, Digital Extremes may declare and pay dividends in the following situations:

- (i) If the aggregate cash and bank balances of the Digital Extremes Group as at the close of business of the date of the Closing (the "**Actual Closing Cash Balance**") (for the avoidance of doubt, to the extent any fees and expenses owing by any member of the Digital Extremes Group under any Finder Agreement have not been settled as of the date of Closing, the Actual Closing Cash Balance shall be deemed to have been reduced by an amount equal to such fees and expenses) is greater than the Minimum Cash Balance, Digital Extremes shall declare a dividend equal to the difference between the Actual Closing Cash Balance and the Minimum Cash Balance (the "**Excess Cash**") on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be paid within three Business Days of the Closing.
- (ii) If the Digital Extremes Group's aggregate trade receivables (for the avoidance of doubt, excluding any N-Space Loan) exceed its aggregate trade payables as at the close of business of the date of the Closing, as determined in the Closing Statements (the excessive portion being the "**Excess Receivables**"), Digital Extremes shall declare a dividend equal to the Excess Receivables on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be payable at the same time as the Balance Consideration becomes due and payable, provided that such trade receivables have been unconditionally and irrevocably collected by the Digital Extremes Group. If, at the same time as the Balance Consideration becomes due and payable, such trade receivables have not been unconditionally and irrevocably collected by the Digital Extremes Group, such Excess Receivables shall only be payable at the time when such trade receivables have been so unconditionally and irrevocably collected by the Digital Extremes Group.

- (iii) Digital Extremes shall declare a dividend in an amount equal to the outstanding principal amount as of the date of Closing that Digital Extremes has loaned to N-Space, Inc., a company having offices in Orlando, Florida (such amount being referred to herein as the “**N-Space Loan**”) on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be payable within three Business Days after an amount equal to the N-Space Loan has been unconditionally and irrevocably repaid by N-Space, Inc. to Digital Extremes. For greater certainty, all repayments of principal and interest received by Digital Extremes from N-Space, Inc. shall be applied first to the repayment of amounts owing in respect of the N-Space Loan until such amounts have been repaid in full, and then to any additional loans made by Digital Extremes to N-Space, Inc. after the Closing.

From the date of Acquisition Agreement until the Closing, no other dividends, distributions, bonuses or other payables shall be declared or accrued or paid directly or indirectly to any Covenantor or any other shareholder of any member of the Digital Extremes Group, except such dividends as mentioned above or the bonuses previously declared by the Digital Extremes Group which amounted to approximately C\$4.17 million or unless otherwise agreed in writing by the Purchasers.

Conditions precedent

Closing shall be subject to and conditional upon the fulfillment of the certain conditions precedent.

- (i) Conditions precedent in favour of the Purchasers including, among others, the following:
- (a) All approvals, consents and waivers necessary for consummation of the transactions contemplated by the Acquisition Agreement and each other transaction agreement or required under any contract, which shall remain effective as of the date of Closing, including (i) the passing by Shareholders of all necessary resolutions at the EGM necessary to give effect to the transactions contemplated under the Acquisition Agreement; (ii) approvals from any relevant stock exchange, securities commission or other securities regulator; and (iii) approvals from any governmental authority including without limitation the Canadian Ministry of Economic Development, Employment and Infrastructure and the National Research Council Canada;
 - (b) Perfect Online or its affiliates shall have entered into the exclusive distribution agreement with Digital Extremes, pursuant to which, among other things, Perfect Online or its affiliates shall have an exclusive right to publish Warframe on console platform, in the PRC (the “**Exclusive Distribution Agreement**”), in form and substance satisfactory to Perfect Online;
 - (c) The cash and bank balances held by Digital Extremes shall not be less than C\$5,000,000, (1) excluding any cash and bank balances generated from (i) loans other than those already disclosed to the Purchasers as at the date of Acquisition Agreement; (ii) increase in payables as a result of any delay in payment of any amount to third parties past due; (iii) decrease in receivables as a result of acceleration of collection in manners inconsistent with Digital Extremes’ past practices and credit policies; (iv) any act not in the ordinary and usual course of business of Digital Extremes which is intended to increase or has the effect of increasing the cash and bank balances of Digital Extremes without any genuine commercial reasons;

and (2) after reserving or deducting funds for any and all dividends, distributions, bonuses, loans and payables that have been declared or accrued or outstanding but unpaid as of date of Closing, other than the dividends contemplated in (ii) and (iii) in the section headed “Permitted Distributions” above (the “**Minimum Cash Balance**”);

- (d) The Covenantors and all other parties to the original shareholders’ agreement shall have entered into a termination agreement to terminate the original shareholders’ agreement, effective as at and from the Closing; and the Vendors and all other parties named therein shall have entered into a new shareholders’ agreement in respect of the Digital Extremes Group to govern the relationship among shareholders of Digital Extremes and the management of Digital Extremes (the “**New Shareholders’ Agreement**”) in form and substance satisfactory to the Purchasers;
- (e) On or prior to the date of Closing, Digital Extremes shall have irrevocably and unconditionally assigned (a) an agreement dated 23 April 2013 entered into between Digital Extremes and Corum Group Ltd. and (b) an agency representation agreement dated 15 March 2012 entered into between Digital Extremes and Interactive Studio Management, LLC, as amended by agreement made as of 17 June 2013 (collectively, the “**Finder Agreements**” and each a “**Finder Agreement**”) to the Covenantors, and each and every party thereto shall be released from and in respect of any claim it may then have or may at any time in the future have against Digital Extremes in respect of any matter arising in respect of any Finder Agreement to the satisfaction of the Purchasers before the Closing;
- (f) The constitutional documents of the Digital Extremes Group shall be amended as may be mutually agreed by the parties to the Acquisition Agreement, and shall have been duly adopted by the Digital Extremes Group by all necessary corporate actions of its board of directors and its shareholders and duly filed with the relevant governmental authorities;
- (g) No governmental authority shall have enacted, issued, promulgated, enforced or entered any applicable law that has the effect of making any of the transactions contemplated by the Acquisition Agreement and each other transaction agreement illegal;
- (h) The representations and warranties made by the Covenantors in the Acquisition Agreement shall be true and correct and complete in all respects, as of the date of the Acquisition Agreement and shall be true and correct and complete in all material respects as of the date of the Closing;
- (i) From 1 November 2013 until the Closing, no dividend or other distributions or other bonuses have been paid or declared directly or indirectly to the Covenantors or any other shareholder or employee of any member of the Digital Extremes Group, unless otherwise expressly provided in the Acquisition Agreement or with the prior written approval of the Purchasers;
- (j) Investment Canada Act Approval will have been obtained;
- (k) Since 1 November 2013, no member of the Digital Extremes Group has suffered a material adverse effect;

- (l) At the Closing, each of (a) Ontario Ltd. 1 and Mr. James Schmalz; (b) Ontario Ltd. 2 and Mr. Michael Schmalz; and (c) Ontario Ltd. 3 and Mr. Steve Sinclair shall have entered into separate three-year non-compete, non-solicitation agreement with the Purchasers and Digital Extremes in form and substance satisfactory to the Purchasers;
 - (m) Each of the key employees as listed out in the Acquisition Agreement shall have entered into an employment agreement in form and substance satisfactory to the Purchasers; and
 - (n) To the extent any loan agreement, promissory note, pledge, charge, liability or other security agreement exists between the Digital Extremes Group and any Covenantor or any of their affiliates, it shall have been (as applicable) terminated, discharged or released to the satisfaction of the Purchasers, except in respect of any outstanding loan resulting from any dividends permitted by the Acquisition Agreement.
- (ii) Conditions precedent in favour of the Covenantors including, among others, the following:
- (a) The representations and warranties made by each Purchaser in the Acquisition Agreement shall be true and correct and complete in all respects, as of the date of the Acquisition Agreement and shall be true and correct and complete in all material respects as of the date of the Closing;
 - (b) All approvals, consents and waivers necessary for the consummation of the transactions contemplated by the Acquisition Agreement and necessary for the execution and delivery by each Purchaser of the transaction agreements to which it is a party or required under any contract that are required to be obtained by each Purchaser shall have been obtained and shall remain effective as of the date of Closing, including (i) the passing by shareholders of any Purchaser all necessary resolutions which are necessary to give effect to the transactions contemplated under the Acquisition Agreement; (ii) approvals from any relevant stock exchange, securities commission or other securities regulator; and (iii) approvals from any governmental authority, including without limitation the Investment Canada Act Approval;
 - (c) No governmental authority shall have enacted, issued, promulgated, enforced or entered any applicable law that has the effect of making any of the transactions contemplated by the Acquisition Agreement and each other transaction agreement illegal;
 - (d) The Purchasers shall have entered into the New Shareholders' Agreement in form and satisfactory to the Vendors;
 - (e) Since 1 November 2013, no member of the Digital Extremes Group has suffered a material adverse effect; and
 - (f) Digital Extremes shall have entered into an employment agreement with the key employees in form and substance satisfactory to the key employees, including the Vendor Guarantors.

Closing shall take place on the date which all the conditions precedent above have been satisfied or waived or such other date as the Purchasers and the Vendors may mutually agree in writing. If Perfect Online fails to proceed with the Closing upon the reasonable satisfaction or waiver of the conditions precedent above, Multi Dynamic Games shall have the right (not obligation) to proceed with the Closing to purchase any or all of the Sale Shares (“**Sumpo’s Right**”); provided that it shall be a condition of the Closing in favour of the Vendors that all of the Sale Shares be purchased by both Purchasers in their respective shares as set out above or Multi Dynamic Games alone.

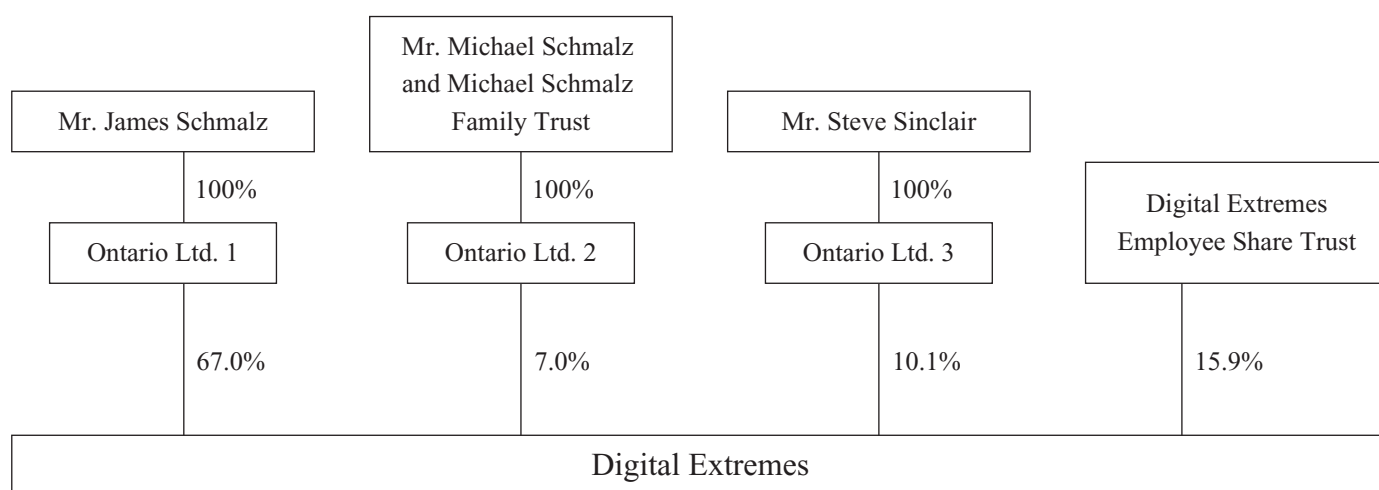
The Acquisition Agreement and the transactions contemplated thereunder shall terminate upon the earlier of (a) at the election of the Purchasers upon notice to the Vendors; (b) at the election of the Vendors upon notice to the Purchasers on or after 31 January 2015 if the Closing has not occurred on or before such date; provided that if no Closing is due to the failure to obtain third party consents (including without limitation the Investment Canada Act Approval), then the Vendors shall not exercise such termination right until 31 March 2015; (c) the mutual consent in writing of the parties.

On termination, the Acquisition Agreement shall become void and have no further effect, provided that no party shall be relieved of any liability of any nature for a breach of the Acquisition Agreement or for any misrepresentation thereunder, nor shall such termination be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation.

SHAREHOLDING STRUCTURE OF DIGITAL EXTREMES

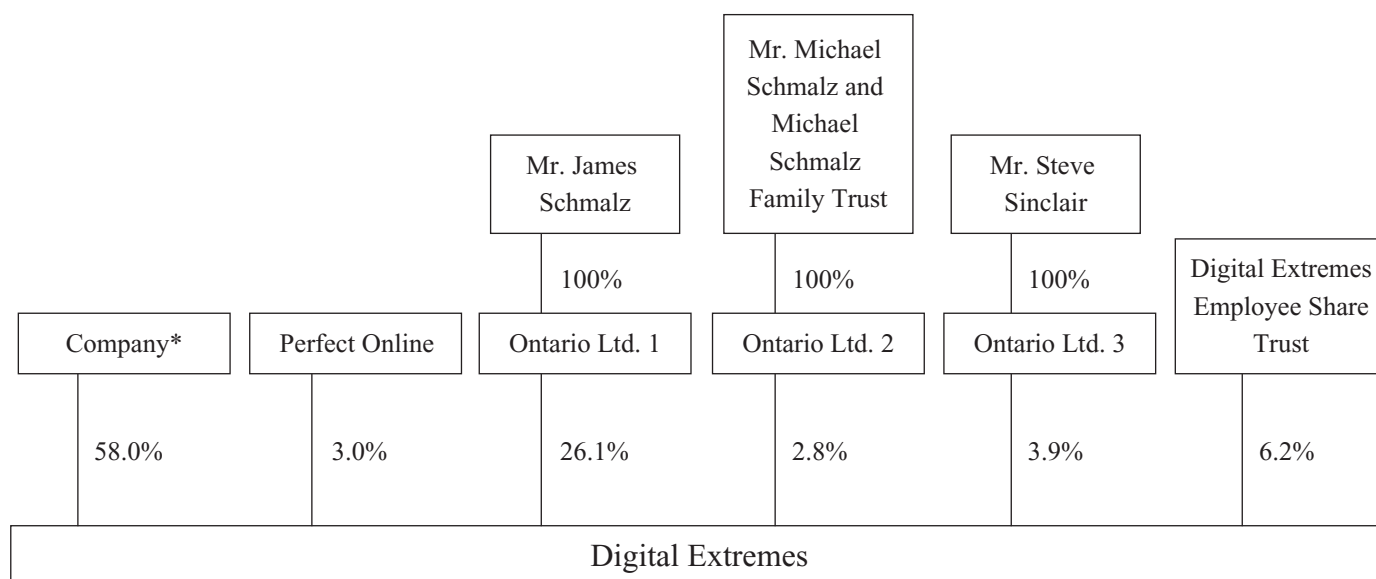
The following are the shareholding structures of Digital Extremes as at the date of this announcement and immediately after the Closing:

(i) As at the date of this announcement



Note: the above shareholding percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, are owned as to 100% by Ontario Ltd. 1.

(ii) Immediately after Closing



* Held through Multi Dynamic Games

Note: the above shareholding percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 58.0%, 3.0% and 39.0% by Multi Dynamic Games, Perfect Online and Ontario Ltd. 1, respectively, immediately after Closing.

INFORMATION ON DIGITAL EXTREMES

Digital Extremes is a company incorporated under the laws of Ontario, Canada, and is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games. As at the date of this announcement, each of Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust holds approximately 67.0%, 7.0%, 10.1% and 15.9% of the voting share capital of Digital Extremes, respectively; and the Class B Special Shares of Digital Extremes, which carry no voting rights in Digital Extremes, are wholly-owned by Ontario Ltd. 1. Upon completion of the Acquisition, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group.

Prior to 2013, Digital Extremes' revenue was largely generated through developing retail games, primarily via work-for-hire projects with large independent third party publishers, such as Epic Games, Atari, 2K Games, and Microsoft. Digital Extremes' portfolio of "work-for-hire" projects includes multiple first-person games such as 'Darkness 2' and multiplayer for 'Bioshock 2'. Digital Extremes also developed Dark Sector, an original Digital Extremes owned product released on Xbox 360 and Playstation 3 in 2008.

Such work-for-hire projects, in addition to providing a stable source of income to Digital Extremes' business at the early stage, also provided the necessary training and design know-how to the creative team in Digital Extremes to develop its own titles. In March 2013, Digital Extremes successfully launched the beta version of its own multiplayer Free-to-Play online action game entitled '*Warframe*' ("**Warframe**"), which gained immediate recognition and success in the market.

Warframe, which follows the Free-to-Play model, is offered free of charge whilst players have the opportunity to purchase virtual goods to enhance their game-playing experience using virtual currencies. Virtual goods are non-physical items represented within the game by images, animations or three-dimensional objects, such as weapons and characteristics that provide a player with additional or enhanced abilities within a game. Digital Extremes' revenue from Warframe is primarily generated from the sale of virtual currencies and virtual goods to its players. Digital Extremes currently allows players to access Warframe both via direct access to its website and through platforms owned by independent third party licensed distributors. As at the date of this announcement, Warframe is distributed in 115 countries, and its players are located worldwide.

In addition to Warframe, Digital Extremes is currently developing another self-owned Free-to-Play game.

FINANCIAL INFORMATION OF DIGITAL EXTREMES

Set out below is the key financial information of Digital Extremes based on its unaudited consolidated financial statements prepared in accordance with IFRS for the six months ended 30 April 2014 and for the three years ended 31 October 2013.

	For the year ended 31 October 2011 C\$'000	For the year ended 31 October 2012 C\$'000	For the year ended 31 October 2013 C\$'000	For the six months ended 30 April 2014 C\$'000
Revenue	15,113 (approximately HK\$105.6 million)	13,450 (approximately HK\$94.0 million)	27,330 (approximately HK\$191.0 million)	30,008 (approximately HK\$209.8 million)
Profit/(Loss) before taxation	2,502 (approximately HK\$17.5 million)	(1,035) (approximately HK\$(7.2 million))	6,153 (approximately HK\$43.0 million)	9,693 (approximately HK\$67.8 million)
Profit/(Loss) after taxation	2,321 (approximately HK\$16.2 million)	(524) (approximately HK\$(3.7 million))	4,497 (approximately HK\$31.4 million)	7,010 (approximately HK\$49.0 million)

	As at 31 October 2011 C\$'000	As at 31 October 2012 C\$'000	As at 31 October 2013 C\$'000	As at 30 April 2014 C\$'000
Net assets	10,148 (approximately HK\$70.9 million)	9,624 (approximately HK\$67.3 million)	4,597 (approximately HK\$32.1 million)	11,606 (approximately HK\$81.1 million)

The audited consolidated financial information of Digital Extremes for the six months ended 30 April 2014 and for the three years ended 31 October 2013 prepared in accordance with IFRS will be presented in the circular to Shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds under the “Sumpo” brand (the “**Chicken Business**”). During the year ended 31 December 2013 and the six months ended 30 June 2014, the Group recorded net loss of approximately RMB11.5 million and approximately RMB10.3 million. As stated in the Company’s interim results announcement dated 26 August 2014, the Company attributed such slow recovery in the Chicken Business’ profitability to the lingering effects of the H7N9 incident, which occurred in the first half of 2013 and continued to negatively affect the price of and overall demand for chicken meat products in the PRC up until the first half of year 2014. As the Chicken Business can be volatile and cyclical in nature due to the adverse effects which external factors outside of the Group’s control may bring to the Chicken Business (e.g. unexpected bird flu epidemics or other poultry virus outbreaks), the Group has been looking for investment and business opportunities unrelated to the Chicken Business with a view to diversify and reduce its overall risk profile, as well as to enhance growth and stability of the Group’s future profitability.

The Group has since identified the gaming industry, and in particular the video games sector specializing in Free-to-Play online games, as a fast-growing industry which can broaden and enhance the income base of the Group. As stated in the section headed “Information on Digital Extremes” above, in addition to Digital Extremes’ success in collaborating with large independent third party publishers for popular games via work-for-hire projects, Digital Extremes launched Warframe in March 2013, which gained immediate recognition and success in the market and has become the key revenue driver for Digital Extremes from 2013 onwards. Eyeing the potential of this widely popular title, and the expected launch of Digital Extremes next self-owned Free-to-Play game, the Directors are confident that the Acquisition will enhance the growth of the Group’s future profitability and provide additional value to the Shareholders. Furthermore, with the experience and knowledge of Perfect World in the gaming industry, the Directors believe that the Group will be able to gain valuable industry experience in the gaming industry from such co-investment with Perfect Online. Perfect World is a leading online game developer and operator based in the PRC. In particular, upon Closing, Digital Extremes and Perfect Online shall have entered into the Exclusive Distribution Agreement, pursuant to which, among other things, Perfect Online or its affiliates shall have an exclusive right to publish Warframe on console platform, in the PRC.

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON PERFECT ONLINE

Perfect Online is incorporated in Hong Kong and is a wholly-owned subsidiary of Perfect World, a company listed on the NASDAQ Global Select Market. Perfect World is a leading online game developer and operator based in China, and primarily develops online games based on proprietary game engines and game development platforms.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Perfect Online and Perfect World are third parties independent of the Company and its connected persons.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Upon Closing, Digital Extremes will become an indirect non-wholly owned subsidiary of the Company and the common shares of Digital Extremes will be owned as to 58.0%, 3.0%, 26.1%, 2.8%, 3.9% and 6.2% by Multi Dynamic Games, Perfect Online, Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 58.0%, 3.0% and 39.0% by Multi Dynamic Games, Perfect Online and Ontario Ltd. 1, respectively.

GENERAL

The EGM will be convened to consider and approve the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Acquisition Agreement. Therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, (i) further information on the Acquisition; (ii) further information on the business of Digital Extremes; (iii) the accountants' report on Digital Extremes; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the notice of the EGM; and (vi) other information as required under the Listing Rules, shall be despatched to the Shareholders on or before 4 November 2014.

As Closing is subject to the satisfaction of the respective conditions precedent under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:—

“Acquisition”	the acquisition of the Sale Shares by Multi Dynamic Games and Perfect Online from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 14 October 2014 entered into between the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes in respect of the Acquisition
“Actual Operational Results”	the Net Profit of Digital Extremes for the Target Year
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays and Sundays and public holidays in Hong Kong, the PRC or Canada) on which banks are generally open for business in Hong Kong, the PRC or Canada
“C\$”	Canadian dollars, the lawful currency of Canada
“Closing”	the completion of the purchase and sale of the Sale Shares
“Closing Statements”	a statement which shall be delivered by the Purchasers to the Vendors or otherwise determined in accordance with the Acquisition Agreement, that sets out (i) the calculation of Net Profit for the Target Year; and (ii) the calculation of Excess Receivables and N-Space Loan at the Closing, prepared in accordance with IFRS
“Company”	Sumpo Food Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1089)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	US\$73.2 million, as adjusted, being the total consideration payable by the Purchasers to the Vendors for the Acquisition pursuant to the Acquisition Agreement

“Covenantors”	collectively, the Vendors and the Vendor Guarantors
“Digital Extremes”	Digital Extremes Ltd., a company incorporated under the laws of Ontario, Canada
“Digital Extremes Employee Share Trust”	an <i>inter vivos</i> trust created in Ontario, Canada which shall be the legal and beneficial holder of 3,180,000 common shares in Digital Extremes immediately prior to the Closing
“Digital Extremes Group”	means Digital Extremes and all its direct or indirect subsidiaries and branches, as may exist from time to time
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Shareholders to be convened and held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Investment Canada Act”	means the <i>Investment Canada Act</i> , and the regulations promulgated thereunder
“Investment Canada Act Approval”	means that the Purchasers have been advised in writing that the Minister designated under the Investment Canada Act is satisfied, or the Minister is deemed to be satisfied, that the acquisition of Digital Extremes contemplated by the Acquisition Agreement is likely to be of net benefit to Canada
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Multi Dynamic Games”	Multi Dynamic Games Group Inc., a company incorporated in Ontario, Canada and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Net Profit”	means the consolidated after-tax profit of the Digital Extremes Group for the Target Year determined under IFRS, which shall be determined in accordance with the following formula: $NP = NI + B + TC + SB$ Where: NP = net profit for the Target Year NI = after tax consolidated net income for the Target Year B = management performance/designated bonus declared or accrued in that Target Year less the tax impact in that Target Year (for the purpose of calculating the “Net Profit” in this definition, management performance/designated bonuses shall be subject to a cap of C\$4.17 million) TC = transaction costs related to the sale and purchase of the Sale Shares contemplated in the Acquisition Agreement incurred by the Digital Extremes Group in the Target Year less the tax impact in the Target Year, including any costs resulting from the triggering of any tax years upon the change of control of Digital Extremes or any additional tax year caused by any other change to Digital Extremes’ fiscal year end (for the purpose of calculating the “Net Profit” in this definition, the transaction costs shall be subject to a cap of US\$150,000) SB = Share based compensation expense less the tax impact for the Target Year
“Ontario Ltd. 1”	2375249 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 13,400,000 common shares and 10,000 Class B Special shares in Digital Extremes immediately prior to the Closing, and 100% owned by Mr. James Schmalz

“Ontario Ltd. 2”	2375250 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 1,400,000 common shares in Digital Extremes immediately prior to the Closing, and 100% owned together by Mr. Michael Schmalz and Michael Schmalz Family Trust
“Ontario Ltd. 3”	2377289 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 2,020,000 common shares in Digital Extremes immediately prior to the Closing, and 100% owned by Mr. Steve Sinclair
“percentage ratio”	has the meaning ascribed to it under Rule 14.07 of the Listing Rule
“Perfect Online”	Perfect Online Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Perfect World as at the date of this announcement
“Perfect World”	Perfect World Co., Ltd., a company incorporated in the Cayman Islands and listed on the NASDAQ Global Select Market
“PRC”	the People’s Republic of China, and for the purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“Purchasers”	means Multi Dynamic Games and Perfect Online
“PW Sale Shares”	600,000 common shares and 300 Class B Special shares of Digital Extremes, representing 3.0% of its entire issued share capital, to be acquired by Perfect Online pursuant to the Acquisition Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	12,200,000 common shares and 6,100 Class B Special shares of Digital Extremes, representing 61% of its entire issued share capital, to be acquired severally but not jointly by the Purchasers pursuant to the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Sumpo Sale Shares”	11,600,000 common shares and 5,800 Class B Special shares of Digital Extremes, representing 58.0% of its entire issued share capital, to be acquired by Multi Dynamic Games pursuant to the Acquisition Agreement
“Target Year”	means the 2014 calendar year
“Term Sheet”	the non-binding term sheet dated 30 June 2014 entered into between the Purchasers, the Vendors and Digital Extremes
“US\$”	United State dollars, the lawful currency of the United States of America
“%”	per cent

For illustration purposes in this announcement, the amounts in US\$ and C\$ were translated into HK\$ at the rate of US\$1.00 = HK\$7.75 and C\$1.00 = HK\$6.99 respectively. No representation is made that any amount in US\$ or C\$ has been or could be converted at the said rates or any other rates or at all.

By order of the Board
Sumpo Food Holdings Limited
Yeung Chun Wai, Anthony
Vice Chairman

Hong Kong, 14 October 2014

As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Yeung Chun Wai, Anthony, Mr. Wu Shiming and Mr. Yin Shouhong as executive directors, and Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Wei Ji Min as independent non-executive directors of the Company.