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## **IGG INC**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 799)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE PROPERTY AND THE ENTIRE ISSUED SHARE CAPITAL IN THE PROPERTY MANAGEMENT COMPANY**

On 10 April 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Purchase and Sale Agreement with the Property Owners and Cedro Shareholders in relation to the acquisition of (i) the Magnani Assets; and (ii) the assignment of the Shareholders' Loans for a total consideration of Euro 20.13 million (equivalent to approximately HK\$177.75 million) (subject to the adjustments as set out in the paragraphs headed "Purchase Price Adjustment" and "Casualty" below) in cash subject to the terms and conditions set out therein.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and the Property Management Company, were third parties independent of the Company and its connected persons as at the date of this announcement.

As the highest of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition in aggregate is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Acquisition is conditional upon, among other things, the satisfaction or waiver of a number of conditions under the Purchase and Sale Agreement. Therefore, the Acquisition may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

On 10 April 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Purchase and Sale Agreement with the Sellers in relation to (i) the acquisition of the Magnani Assets; and (ii) the assignment of the Shareholders' Loans for a total consideration of Euro 20.13 million (equivalent to approximately HK\$177.75 million)(subject to the adjustments as set out in the paragraphs headed "Purchase Price Adjustment" and "Casualty" below) in cash subject to the terms and conditions set out therein.

## **THE ACQUISITION**

The principal terms of the Purchase and Sale Agreement are summarized below:

### **Date**

10 April 2019 (after trading hours)

### **Parties**

- (i) The Purchaser (a wholly-owned subsidiary of the Company, as purchaser)
- (ii) Property Owners (as vendors of the Property)
- (iii) Cedro Shareholders (as vendors of the Property Management Company)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers and the Property Management Company, were third parties independent of the Company and its connected persons as at the date of this announcement.

### **Subject matters**

The Magnani Assets and the Shareholders' Loans.

### **Purchase Price**

Subject to the terms and conditions contained in the Purchase and Sale Agreement, the Purchaser shall pay the Sellers the Initial Purchase Price of Euro 19.525 million

(equivalent to approximately HK\$172.41 million) which is to be adjusted as set out in the paragraphs headed “Purchase Price Adjustment” and “Casualty” below and the consideration for the assignment of the Shareholders Loans in the amount of Euro 0.605 million (equivalent to approximately HK\$5.34 million) (the “**Purchase Price**”).

For the purpose of apportionment, (i) the Purchase Price to be paid by the Purchaser (or its designated entity) to the Property Owners shall be Euro 17.50 million (equivalent to approximately HK\$154.53 million) for the Property; (ii) the Purchase Price to be paid by the Purchaser (or its designated entity) to the Cedro Shareholders shall be Euro 2.025 million (equivalent to approximately HK\$17.88 million) for the Cedro Quota; and (iii) the consideration to be paid by the Purchaser (or its designated entity) to the relevant Cedro Shareholders shall be Euro 0.605 million (equivalent to approximately HK\$5.34 million) for the assignment of the Shareholders’ Loans.

Pursuant to the terms and conditions of the Purchase and Sale Agreement, 20% of the Initial Purchase Price, being Euro 3.905 million (equivalent to approximately HK\$34.48 million), shall be payable by the Purchaser (or its designated entity) at the First Closing (the “**Provisional Payment**”) and the remaining amount, being the difference between the Final Purchase Price and the Provisional Payment and the consideration for the assignment of the Shareholders’ Loans, shall be payable by the Purchaser (or its designated entity) at the Second Closing.

### **Purchase Price Adjustment**

The Initial Purchase Price shall be adjusted (the “**Estimated Purchase Price**”) according to the preliminary closing financial statements to be delivered by the Sellers within 15 days after the First Closing Date as follows (the “**Purchase Price Adjustment**”):-

- (a) if the Net Debt of the Property Management Company is positive, the Initial Purchase Price shall be adjusted downward for such corresponding amount;
- (b) if the Net Debt of the Property Management Company is negative, the Initial Purchase Price shall be adjusted upward for such corresponding amount; and
- (c) if the Net Debt of the Property Management Company is zero, no adjustment shall be made.

The Estimated Purchase Price shall be further adjusted (the “**Final Purchase Price**”) according to the final closing financial statements to be delivered by the Sellers as follows:-

- (a) if the Net Debt of the Property Management Company is positive, the Estimated Purchase Price shall be adjusted downward for such corresponding amount;
- (b) if the Net Debt of the Property Management Company is negative, the Estimated Purchase Price shall be adjusted upward for such corresponding amount; and
- (c) if the Net Debt of the Property Management Company is zero, no adjustment shall be made.

Based on the preliminary estimation of the Company, the Final Purchase Price shall not exceed Euro 20.13 million (equivalent to approximately HK\$177.75 million). The Company will publish a further announcement and comply with the relevant requirements under the Listing Rules if the Final Purchase Price has exceeded Euro 20.13 million (equivalent to approximately HK\$177.75 million).

### **Casualty**

If, at any time after the signing date of the Purchase and Sale Agreement and prior to the Second Closing or earlier termination of the Purchase and Sale Agreement, the Property or any portion thereof is damaged or destroyed by fire and/or flood or any other casualty (the “**Casualty**”) and if the amount of the repair or restoration of the Property together with other properties thereon (together, the “**Damaged Properties**”) equals or exceeds 10% of the Purchase Price as calculated by the insurance company of Cedro (a “**Material Casualty**”) and such Material Casualty was not caused by Purchaser or its employees or agents, the Purchaser shall have the right to (i) terminate the Purchase and Sale Agreement, in which case the parties thereto shall have no further rights or obligations under the Purchase and Sale Agreement; or (ii) proceed to the Closing, in which case the Sellers shall adjust the Final Purchase Price downward in an amount equal to the lesser of (i) the applicable insurance deductible; and (ii) the reasonable estimated costs as agreed between the parties to the Purchase and Sale Agreement for the repair or restoration of the Damaged Properties.

In the event of any Casualty which is not a Material Casualty, the Purchaser shall proceed to the Closing, in which case Sellers shall adjust the Final Purchase Price downward (except if such Casualty is caused by Purchaser’s employees or agents) in an amount equal to the reasonable estimated costs as agreed between the parties to the Purchase and Sale Agreement for the repair or restoration of the Damaged Properties.

If the parties to the Purchase and Sale Agreement cannot agree the amount of the estimated costs in case of Material Casualty, the Purchaser shall have the right to terminate the Purchase and Sale Agreement.

## **Basis of determining the Initial Purchase Price**

The Initial Purchase Price was agreed after negotiation between the Purchaser and the Sellers on an arm's length basis and having regard to a number of relevant factors, which include, among other things, (i) the valuation of the Property in the amount of Euro 18.50 million (equivalent to approximately HK\$163.36 million) as at 27 February 2019 as appraised by an independent valuer with reference to prevailing market rates of similar properties in nearby areas; (ii) the value of the business operations of the Property acquired by Cedro from an independent third party in December 2016 at approximately Euro 1.55 million (equivalent to approximately HK\$13.69 million); (iii) the unaudited book value of the furniture and fixtures of Cedro at approximately Euro 0.542 million (equivalent to approximately HK\$4.79 million) as at 31 December 2017; and (iv) the business potential of the Magnani Assets.

The Purchase Price will be settled by bank financing or internal resources of the Group.

## **Conditions precedents**

Pursuant to the Purchase and Sale Agreement, the Closing shall be subject to the fulfillment or waiver of the following conditions precedent:

### **1. Mutual Closing Conditions**

The respective obligations of the Sellers and the Purchaser to sell and purchase the Magnani Assets at the Closing are subject to the satisfaction at or prior to the Closing Date of the following conditions precedent (the “**Mutual Closing Conditions**”):

- (a) No preliminary or permanent injunction or other order, decree or ruling shall have been issued by a court of competent jurisdiction or by any governmental authority that would make illegal or invalid or otherwise prevent the consummation of the transaction described in the Purchase and Sale Agreement;
- (b) No applicable law shall have been enacted that would make illegal or invalid or otherwise prevent the consummation of the transaction described in the Purchase and Sale Agreement; and
- (c) No material adverse effect shall have occurred.

If any of the Mutual Closing Conditions is not satisfied by the Outside Closing Date (as defined below), each party shall have the right to terminate the Purchase

and Sale Agreement by providing written notice to the other party, in which case the parties shall have no further rights or obligations under the Purchase and Sale Agreement, except for those which expressly survive such termination.

## **2. Purchaser Closing Conditions**

In addition to the Mutual Closing Conditions, the Purchaser's obligations to purchase the Magnani Assets at the Closing are subject to the satisfaction at or prior to the Closing Date of the following conditions precedent (the "**Purchaser Closing Conditions**"):

- (a) The representations or warranties of the Sellers in the Purchase and Sale Agreement shall be true, correct and not misleading as of the First Closing Date (or as of such prior other date to which such representation or warranty expressly is made) or, if any representation and warranty is untrue or incorrect, this does not have a material adverse effect;
- (b) The covenants and obligations of the Sellers in the Purchase and Sale Agreement shall have been performed in all reasonable material respects; and
- (c) The Bailment Agreement shall be terminated.

Except that a failure was caused by the Purchaser's failure to act in good faith or to use its commercially reasonable efforts to cause the First Closing to occur, if any of the Purchaser Closing Conditions is not satisfied at the latest by the Closing Date, the Purchaser shall have the right at its discretion as its sole and exclusive remedy (i) subject to Sellers' right to cure under the Purchase and Sale Agreement, to terminate the Purchase and Sale Agreement by providing written notice to the Sellers, in which case the parties shall have no further rights or obligations under the Purchase and Sale Agreement, except those which expressly survive such termination, or (ii) to waive any of the Purchaser Closing Conditions at or prior to the Closing.

## **3. Sellers Closing Conditions**

In addition to the Mutual Closing Conditions, the Sellers' obligations to sell the Magnani Assets at the Closing are subject to the satisfaction at or prior to the Closing of the following conditions precedent (the "**Sellers Closing Conditions**"):

- (a) The representations and warranties of the Purchaser in the Purchase and Sale Agreement shall be true, correct and not misleading in all material respects

as of the First Closing Date (or as of such other prior date to which such representation or warranty expressly is made) or, if any representation and warranty is untrue or incorrect, this does not have a material adverse effect; and

- (b) The covenants and obligations of the Purchaser in the Purchase and Sale Agreement shall have been performed in all reasonable material respects.

Except that a failure was caused by the Sellers' failure to act in good faith or to use their commercially reasonable efforts to cause the First Closing to occur, if any of the Sellers Closing Conditions is not satisfied on the Closing Date, the Sellers shall have the right as their sole and exclusive remedy (i) subject to Purchaser's right to cure under the Purchase and Sale Agreement, to terminate the Purchase and Sale Agreement by providing written notice to the Purchaser, in which case the parties shall have no further rights or obligations under the Purchase and Sale Agreement, except those which expressly survive such termination, or (ii) to waive any of the Sellers Closing Conditions at or prior to the Closing.

## **Closing**

### ***First Closing***

The first closing (the "**First Closing**") shall not occur later than 31 May 2019 (the "**Outside Closing Date**"), unless otherwise agreed to in writing by the parties to the Purchase and Sale Agreement (the date on which the First Closing occurs is referred to herein as the "**First Closing Date**").

### ***Second Closing***

The second closing (the "**Second Closing**") shall occur on the earlier of (i) the date which is five (5) Business Days after the expiration of the applicable period of time (i.e., 60 days starting from the notice to the governmental authority) for the exercise of the Right of First Refusal and none of the governmental authorities has exercised the Right of First Refusal, or such later day in accordance with the Purchase and Sale Agreement due to the occurrence of Material Casualty; or (ii) 31 July 2019 or such a later date as agreed by the parties in writing (the date on which the Second Closing occurs is referred to herein as the "**Second Closing Date**").

Upon the Second Closing having taken place in accordance with the terms and conditions of the Purchase and Sale Agreement, the Company will own the Magnani Assets. The Property Management Company will become an indirect wholly-owned subsidiary of the Company. The financial results of the Property Management Company will be consolidated in the financial statements of the Group upon Second Closing.

## **INFORMATION OF THE GROUP AND THE PURCHASER**

The Group is a renowned developer and publisher of mobile games with a strong global presence and an international user base of 620 million registered users.

The Purchaser is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. Its principal business is investment holding.

## **INFORMATION OF THE COUNTERPARTIES**

### **Information on the Sellers**

#### *Property Owners*

The Property Owners are siblings and are merchants with businesses in different industries including, among others, entertainment and hospitality business.

#### *Cedro Shareholders*

The Cedro Shareholders are merchants.

## **INFORMATION ON THE PROPERTY AND THE PROPERTY MANAGEMENT COMPANY**

### **The Property**

The Property to be acquired is a historical complex known as Palazzo Magnani Feroni in Borgo S. Frediano 5, Florence, 50124, Italy. The Property is a mixed residential/commercial property with total gross floor area of approximately 5,170 square metres. The Property is currently used partly as “historical residence” for tourists’ accommodation and partly as offices.

### **The Property Management Company**

Cedro is a company incorporated under the laws of Italy and is held as to 98% by Mr. Georges Abi Lahoud and as to 2% by Mr. Rabih Bou Serhal as at the date of this announcement. The Property Management Company is principally engaged in the operation of the Property. The major revenue of the Property Management Company consists of the rental income from the Property as tourists’ accommodation and in return, the Property Management Company would pay a rental to the Property Owners, which is currently fixed at Euro 65,000 per annum and such arrangement would terminate upon Second Closing.

## Financial information of the Property Management Company

Set out below is a summary of the unaudited financial information of the Property Management Company for the two financial years ended 31 December 2017 and 31 December 2018:

	<b>For the year ended 31 December 2018 Euro'000 (Unaudited)</b>	<b>For the year ended 31 December 2017 Euro'000 (Unaudited)</b>
Net loss before tax	43	142

According to the unaudited financial information of the Property Management Company, the net asset value of the Property Management Company as at 31 December 2018 was approximately Euro 19,000 (equivalent to approximately HK\$0.17 million).

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a renowned developer and publisher of mobile games with a strong global presence and an international user base from more than 200 countries and regions worldwide. In addition to the headquarter in Singapore, the Group has established regional offices in the United States, Hong Kong, Mainland China, Canada, Japan, South Korea, Thailand, Belarus, Indonesia, the Philippines, the United Arab Emirates, Brazil and Turkey. As part of its strategic expansion plan, the Group is exploring the possibility of establishing a regional office in Europe, as an important aspect for the promotion of the gaming business of the Group globally. If the Acquisition materialises, the Group intends to redevelop the Property for its own uses as a training base for art talents specialized in mobile games. The Group is minded to establish its first European regional office in Florence, Italy due to its rich and profound cultural connotations and historical background.

Based on the above and having taken into account the basis of determining the Purchase Price, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS OF THE LISTING RULES

As the highest of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition in aggregate is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Acquisition is conditional upon, among other things, the satisfaction or waiver of a number of conditions under the Purchase and Sale Agreement. Therefore, the Acquisition may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the meanings below in this announcement:

“Acquisition”	the acquisition of the Magnani Assets by the Purchaser from the Sellers in accordance with the terms and conditions of the Purchase and Sale Agreement
“Bailment Agreement”	the bailment agreement entered into by the Property Owners and Ms. Alvarez Eufrocina, an independent third party of the Company, on 7 March 2017, pursuant to which the Property Owners granted Ms. Alvarez Eufrocina the right to use the Property for private use as living unit only
“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or day on which credit institutions are closed in Rome, Florence or Milan, Italy
“Cedro” or “Property Management Company”	Cedro S.r.l., a limited liability company incorporated under the laws of Italy, which was owned as to 98% by Mr. Georges Abi Lahoud and 2% by Mr. Rabih Bou Serhal as at the date of the announcement
“Cedro Quota”	the 100% issued share capital in Cedro owned by the Cedro Shareholders
“Cedro Shareholders”	Mr. Georges Abi Lahoud and Mr. Rabih Bou Serhal
“Closing”	the First Closing or the Second Closing, as the case may be
“Closing Date”	the First Closing Date or the Second Closing Date, as the case may be
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Euro”	Euro, the lawful currency of the member states of the European Union
“Final Purchase Price”	the final purchase price of the Magnani Assets, after the adjustments as set out in the paragraphs headed “Purchase Price Adjustment” and “Casualty” above, which, for the avoidance of doubt, excludes the consideration payable for the assignment of the Shareholders’ Loans
“Group”	the Company, its subsidiaries and its consolidated affiliated entities from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Purchase Price”	the initial purchase price for the purchase of the Magnani Assets, before any adjustments which, for the avoidance of doubt, excludes the consideration payable for the assignment of the Shareholders’ Loans
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Magnani Assets”	the Property and Cedro Quota
“Net Debt”	the difference between debt and debt-like items minus cash and cash equivalent of Cedro. For the purpose of this definition debt and debt-like items mainly include short-term and long-term debt, for example, bank borrowings, related party balances, corporate income tax payable and any off-book liabilities and debt-like items, for example, overdue accounts and other payables, which, for the avoidance of doubt, shall not include the Shareholders’ Loans and severance related to personnel but shall include any payables to the Cedro Shareholders in excess of the Shareholders’ Loans
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property”	the land and building relating to the historical complex known as Palazzo Magnani Feroni in Borgo S. Frediano 5, Florence, 50124, Italy
“Property Owners”	Mr. Michail Eleftheriadis and Mr. Ioannis Eleftheriadis

“Purchase and Sale Agreement”	the purchase and sale agreement dated 10 April 2019 entered into among the Purchaser, Cedro Shareholders and Property Owners in relation to the Acquisition
“Purchaser”	Skyunion Hong Kong Holdings Limited, a limited liability incorporated in Hong Kong and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Right of First Refusal”	right of first refusal in relation to the Property in favor of certain government authorities under the laws of Italy
“RMB”	Renminbi, the lawful currency of PRC
“Sellers”	the Property Owners and the Cedro Shareholders
“Share(s)”	ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) from time to time
“Shareholders’ Loans”	certain non-interest bearing and unsecured shareholder loans owing by Cedro to Mr. Rabih Bou Serhal, one of the Cedro Shareholders, in the aggregate outstanding amount of approximately Euro 0.655 million (equivalent to approximately HK\$5.78 million), of which Euro 50,000 (equivalent to approximately HK\$0.44 million) will be converted by Mr. Rabih Bou Serhal into shares of Cedro before the Second Closing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary/(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

*(For reference only, the exchange rate used in this Announcement is Euro 1 = HK\$8.83 (as at 10 April 2019))*

By order of the Board of  
**IGG Inc.**  
**Zongjian Cai**  
*Chairman*

Hong Kong, 11 April 2019

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen; one non-executive Director, namely, Mr. Yuan Chi; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.*