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A8 New Media Group Limited
A8新媒體集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 800)

**SUPPLEMENTAL ANNOUNCEMENT ON
THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

This announcement is made at the request of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

Reference is made to the annual report of A8 New Media Group Limited (“**Company**”, together with its subsidiaries, referred to as the “**Group**”) for the year ended 31 December 2017 (“**Annual Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

The board of directors (“**Directors**”) of the Company (“**Board**”) wishes to provide the shareholders of the Company and potential investors with additional information of the Group for the year ended 31 December 2017 as follows:

USE OF PROCEEDS FROM THE SUBSCRIPTION

On 19 December 2016, the Company entered into a subscription agreement with Ever Novel Holdings Limited (“**Subscriber**”) pursuant to which the Subscriber agreed to subscribe for in cash, and the Company agreed to allot and issue 931,800,000 new shares of the Company (“**Shares**”) at a subscription price of HK\$0.41 per Share (“**Subscription**”). Completion of the Subscription took place on 20 February 2017. The gross proceeds and net proceeds from the Subscription were approximately HK\$382.0 million and HK\$380.5 million respectively. As disclosed in the circular of the Company dated 25 January 2017, it was intended that the net proceeds from the Subscription would be utilised for further investment of the Group as and when opportunities arise, with a focus on mobile game industry chain. The Company intends to use the entirety of the proceeds from the Subscription for future acquisition of upstream and downstream mobile game industry chain company(ies). As at 31 December 2017, the Company did not utilise any of the net proceeds from the Subscription.

Subsequent to 31 December 2017 and up to the date of this announcement, approximately RMB59,557,500 (equivalent to approximately HK\$67,679,000) of the net proceeds from the Subscription were utilised for the acquisition of 51% equity interest in 上海木七七網絡科技有限公司 (Shanghai Mu77 Network Technology Co., Ltd.) (the English name is for identification purposes only) (“**MU77SH**”). It is expected that an amount of RMB42,442,500 (equivalent to approximately HK\$48,230,000) will be utilised for acquiring 香港木七七網絡科技有限公司 (Mu77 Network Technology Hongkong Limited) (“**MU77HK**”) and controlling MU77SH through implementing a series of variable interest entity agreements and arrangements as part of the reorganisation by the end of 2018. On the above basis, the net proceeds from the Subscription of approximately RMB102,000,000 (equivalent to approximately HK\$115,909,000) have been and will be utilised for acquiring the interest in MU77SH and MU77HK. Each of MU77SH and MU77HK is principally engaged in mobile game research and development and operation in the PRC and overseas. MU77SH has released games such as “Adventure and Mining” (冒險與挖礦) and “Card Monster” (卡片怪獸). Further details of the acquisition of 51% equity interest in MU77SH by the Group are disclosed in the announcement of the Company dated 12 February 2018.

As at the date of this announcement, the Company has not identified other suitable business or investment opportunities. The Company will continue to use its best endeavours to identify appropriate business opportunities for investment.

The remaining unutilised proceeds from the Subscription will be used as intended. Currently, the Company placed such unutilised proceeds as short term interest-bearing deposits in licensed bank in Hong Kong.

INVESTMENT IN LANLANLANLAN FILM & TELEVISION

On 13 December 2017, Yunhai Qingtian, a wholly-owned subsidiary of the Company, held 5% equity interest in Lanlanlanlan Film & Television by way of capital increase (“**Capital Increase**”). On 18 December 2017, Yunhai Qingtian entered into the equity transfer agreements and equity transfer supplemental agreement with certain independent third parties for the acquisition of further 5% equity interest in Lanlanlanlan Film & Television (“**2017 Acquisitions**”). Upon completion of the 2017 Acquisitions and as at 31 December 2017, the Group held 10% equity interest in Lanlanlanlan Film & Television. In April 2018, the Group completed the acquisition of an additional 13.56% equity interest in Lanlanlanlan Film & Television from certain independent third parties (“**2018 Acquisitions**”). Further details of the Capital Increase, the 2017 Acquisitions and the 2018 Acquisitions are disclosed in the announcements of the Company dated 18 December 2017 and 13 March 2018.

In accordance with the equity transfer supplemental agreement for the 2017 Acquisitions, Ms. Liu Zewen (“**Founder A**”) and Mr. Zhang Jinsheng (“**Founder B**”, together with the Founder A, collectively referred to as the “**Founders**”) have undertaken in favour of the Group that the net profit of Lanlanlanlan Film & Television and its subsidiaries (collectively, the “**LanLanlanlan Group**”) disregarding non-recurring gains or losses as shown in the consolidated financial statements (“**Audited Profits**”) as audited by the accounting firm as recognised by the Group for the financial year ending 31 December 2017, 2018 and 2019 shall not be less than RMB40 million, RMB60 million and RMB90 million respectively (“**Target Profit**”). If Lanlanlanlan Film & Television cannot meet 90% of the Target Profit for any of the financial year ending 31 December 2017, 2018 and 2019, the Founders shall compensate the Group either in cash (“**Cash Compensation**”) or by way of equity interest in Lanlanlanlan Film & Television (“**Equity Compensation**”) at the option of the Group in the following manner:

- (1) the amount of the Cash Compensation for the financial year = $(A - B)/A \times$ the aggregate consideration for the 2017 Acquisitions
- (2) the proportion of the Equity Compensation for the financial year = $(A/B \times C - C)$

Where:

“**A**” means the Target Profit for the relevant financial year;

“**B**” means the Audited Profit for the relevant financial year; and

“**C**” means the aggregate % of the equity interest in Lanlanlanlan Film & Television transferred to the Group under the equity transfer agreements for the 2017 Acquisitions (i.e. 5%)

The Equity Compensation can be realised by way of (i) the issue of equity by the Lanlanlanlan Film & Television to the Group at the nominal price of RMB1 or at the lowest price as permitted by law; (ii) the transfer of equity interest in Lanlanlanlan Film & Television by the Founders to the Group on a joint basis at nominal price of RMB1 or at the lowest price as permitted by law; or (iii) the capital injection into Lanlanlanlan Film & Television as its registered capital by the Group through the application of monies obtained from the Cash Compensation by Lanlanlanlan Film & Television and the Founders. The method of the Equity Compensation shall be determined by the Group.

Similar performance guarantee in respect of the equity interest in Lanlanlanlan Film & Television acquired by the Group (i.e. 5%) under the capital increase agreement for the Capital Increase was also given by the Founders in favour of the Group.

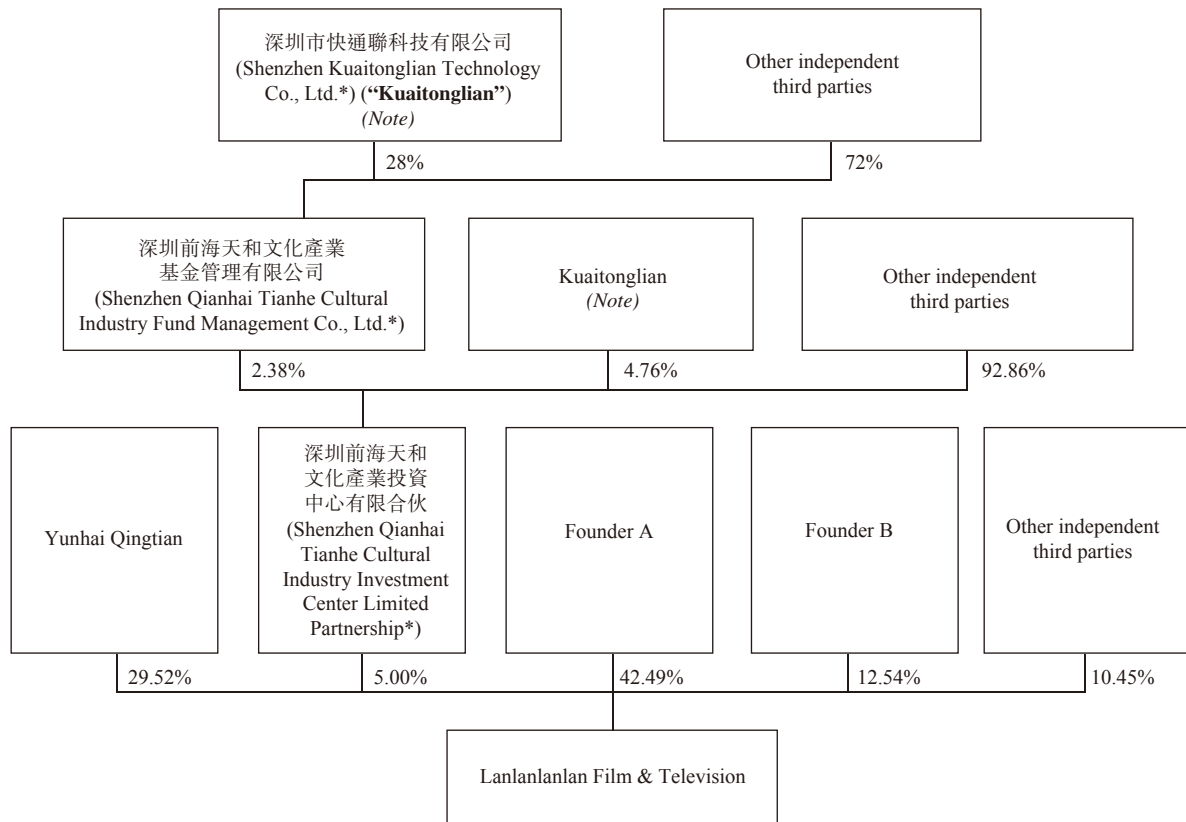
Set out below is the summary of the audited consolidated financial information of the Lanlanlanlan Group for the year ended 31 December 2016 and 2017 respectively:

	For the year ended 31 December 2016 <i>Approximately</i>	For the year ended 31 December 2017 <i>Approximately</i>
Revenue	RMB20,790,000 (equivalent to approximately HK\$23,625,000)	RMB60,447,000 (equivalent to approximately HK\$68,690,000)
Net profits before taxation	RMB10,789,000 (equivalent to approximately HK\$12,260,000)	RMB31,203,000 (equivalent to approximately HK\$35,458,000)
Net profit after taxation	RMB8,369,000 (equivalent to approximately HK\$9,510,000)	RMB25,054,000 (equivalent to approximately HK\$28,470,000)

The audited consolidated total asset value and net asset value of Lanlanlanlan Film & Television as at 31 December 2017 were approximately RMB138,130,000 (equivalent to approximately HK\$156,966,000) and approximately RMB113,563,000 (equivalent to approximately HK\$129,049,000) respectively.

Based on the audited consolidated financial statements of Lanlanlanlan Film & Television for the financial year ended 31 December 2017, the Audited Profit of the Lanlanlanlan Group for 2017 was RMB25,054,105.46. As the Audited Profit for 2017 was less than 90% of the Target Profit for that year, the Founders shall compensate the Group either by way of the Cash Compensation or the Equity Compensation at the option of the Group.

On 4 July 2018, Yunhai Qingtian, Lanlanlanlan Film & Television and the Founders entered into the financial results compensation implementation agreement (業績補償實施協議) (“**Compensation Agreement**”) pursuant to which the Founders shall transfer an aggregate of 5.96% equity interest in Lanlanlanlan Film & Television to Yunhai Qingtian at a consideration of RMB1 (“**2017 Equity Compensation**”). As at the date of this announcement, completion of the 2017 Equity Compensation has not yet taken place. As at the date of this announcement, Lanlanlanlan Film & Television is owned as to 23.56% by Yunhai Qingtian. Immediately after completion of the 2017 Equity Compensation, the shareholding structure of Lanlanlanlan Film & Television will be as follows:



Note: Kuitonglian is a wholly-owned subsidiary of the Company through a series of variable interest entity agreements and arrangements

The 2017 Equity Compensation, standing alone, does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. The Capital Increase, the 2017 Acquisitions, the 2018 Acquisitions and the 2017 Equity Compensation, when aggregated as a whole, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Group’s investment in Lanlanlanlan Film & Television is classified as associate of the Group in its financial statements.

The above additional information does not affect other information contained in the Annual Report and the content of the Annual Report remains unchanged.

For the purpose of this announcement, all amounts denominated in RMB has been translated into HK\$ using the exchange rate of RMB0.88:HK\$1.00 No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

On behalf of the Board
A8 New Media Group Limited
Chairman & Executive Director
Liu Xiaosong

Hong Kong, 3 September 2018

As at the date of this announcement, the Board of the Company comprises:

- (1) Executive Directors namely Mr. Liu Xiaosong and Mr. Lin Qian; and*
- (2) Independent non-executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Li Feng.*