

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**CONNECTED TRANSACTION –
INVESTMENT IN QINGSONG FUND III**

INVESTMENT IN QINGSONG FUND III

The Board is pleased to announce that after trading hours on 12 May 2017, the Company through Kwaitonglian, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Qianhai Qingsong, Gongqingcheng Zhengyi (a limited partnership ultimately wholly owned by Mr. Liu) and the Other Investors. Pursuant to the Partnership Agreement, the Group has agreed to invest RMB20 million (equivalent to HK\$22.47 million) to subscribe for approximately 3.23% interest in Qingsong Fund III in the capacity of LP.

Qingsong Fund III will be established in the PRC as limited partnership which will be principally engaged in venture capital, venture capital management and other activities relating to venture capital to promote the development of new industries.

The Proposed Investment will be classified as the AFS financial asset in the Group's financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Qianhai Qingsong is owned as to 68% by Mr. Liu and as to 4% by a company which is 50% owned by Mr. Liu. Gongqingcheng Zhengyi is ultimately wholly owned by Mr. Liu. As such, each of Qianhai Qingsong and Gongqingcheng Zhengyi is an associate of Mr. Liu and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The Proposed Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Proposed Investment is more than 0.1% and is less than 5%, the Proposed Investment is subject to annual review and all disclosure requirements but exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INVESTMENT IN QINGSONG FUND III

The Board is pleased to announce that after trading hours on 12 May 2017, the Company through Kwaitonglian, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Qianhai Qingsong, Gongqingcheng Zhengyi (a limited partnership ultimately wholly owned by Mr. Liu) and 19 entities and individuals (“**Other Investors**”). Pursuant to the Partnership Agreement, the Group has agreed to invest RMB20 million (equivalent to HK\$22.47 million) to subscribe for approximately 3.23% interest in Qingsong Fund III in the capacity of LP.

THE PARTNERSHIP AGREEMENT

Date: 12 May 2017

Parties:

- (1) Qianhai Qingsong (as GP);
- (2) Kwaitonglian (as LP);
- (3) Gongqingcheng Zhengyi (as LP); and
- (4) Other Investors (as LP).

Nature of the Fund:

Qingsong Fund III will be established in the PRC as limited partnership which will be principally engaged in venture capital, venture capital management and other activities relating to venture capital to promote the development of new industries.

Scale of the Fund:

The preliminary investment scale of Qingsong Fund III is RMB628 million (equivalent to approximately HK\$705.62 million) based on the total Capital Commitment undertaken by all partners pursuant to the Partnership Agreement. The target investment scale of Qingsong Fund III is RMB800 million (equivalent to approximately HK\$898.88 million) or above. Such additional investment into Qingsong Fund III may be made by the existing partners (other than the Group) to the Partnership Agreement and/or new investors. In any event, the Capital Commitment to be made by Kwaitonglian to Qingsong Fund III shall not be more than RMB20 million (equivalent to approximately HK\$22.47 million) pursuant to the Partnership Agreement.

Capital contribution to the Fund:

Pursuant to the Partnership Agreement, Kwaitonglian shall make Capital Commitment of RMB20 million (equivalent to approximately HK\$22.47 million) to subscribe for approximately 3.23% interest in Qingsong Fund III in the capacity of LP. The Group intends to finance its Capital Commitment from its internal resources.

Pursuant to the Partnership Agreement, Gongqingcheng Zhengyi and the Other Investors shall make Capital Commitment of RMB20 million (equivalent to approximately HK\$22.47 million) and an aggregate of RMB580 million (equivalent to approximately HK\$651.69 million) to subscribe for approximately 3.23% and an aggregate of approximately 93.54% interest in Qingsong Fund III in the capacity of LP respectively. Pursuant to the Partnership Agreement, Qianhai Qingsong shall make Capital Commitment of RMB8 million (equivalent to approximately HK\$8.99 million) to subscribe for 100% interest in Qingsong Fund III in the capacity of the sole GP.

The Capital Commitment to be contributed by each partner shall be made in cash in three tranches in the ratio of 40%:30%:30% in accordance with the written demand for capital contribution from Qianhai Qingsong. The Capital Commitment shall be paid in full by all the partners within the first two years of the investment period stipulated in the Partnership Agreement.

The Capital Commitment to be made by the Group is determined by (i) the Group's interest in Qingsong Fund III, i.e. approximately 3.23% interest in Qingsong Fund III in the capacity of LP; and (ii) the preliminary investment scale of Qingsong Fund III of RMB628 million (equivalent to approximately HK\$705.62 million).

Duration of the Fund:

The duration of Qingsong Fund III shall be seven years, commencing on the date of the first Capital Commitment as stipulated in the written demand for capital contribution from Qianhai Qingsong, with the first five years as investment period and the last two years as payback period. The duration of Qingsong Fund III is subject to extension(s) of not more than two years in accordance with the terms and conditions of the Partnership Agreement.

Management of the Fund:

Qianhai Qingsong, the sole GP of Qingsong Fund III, is responsible for the execution of the business of Qingsong Fund III, including but not limited to screening and managing investment projects, deciding on investment in investment projects and implementing the relevant investment programs, deciding on the withdrawal from investment projects and implementing the relevant exit programs. Qianhai Qingsong is liable for the unlimited joint liability for the debts of Qingsong Fund III.

Kuaitonglian, Gongqingcheng Zhengyi and the Other Investors are the LP of Qingsong Fund III. The LP are not responsible for executing the business of Qingsong Fund III and are only liable for the liabilities of Qingsong Fund III up to their respective amounts of the Capital Commitment.

Management fee of the Fund:

During the term of Qingsong Fund III, Qianhai Qingsong, as GP of Qingsong Fund III, is entitled to an annual management fee payable by Qingsong Fund III, being 2% of the difference between the actual capital contributions by all the partners and the investment cost of the withdrawn investment projects.

Return allocation of the Fund:

Qingsong Fund III may gain earnings by means of disposing of the investment projects, obtaining dividends and interests from the projects invested by Qingsong Fund III as well as other investment returns. Subject to the return of the actual Capital Commitment by Qingsong Fund III to its all partners, 20% of the net distributable investment income shall be allocated to Qianhai Qingsong, while the remaining 80% shall be allocated by and among all the LP (including the Group and Gongqingcheng Zhengyi) pursuant to the ratio of their respective amounts of the actual Capital Commitment.

REASONS FOR AND BENEFITS OF INVESTMENT IN QINGSONG FUND III

The Group is principally engaged in the provision of digital entertainment services, including game publishing services and music-based entertainment services as well as property investment in the PRC.

The Board believes that the Proposed Investment is conducive to the Group's integration in the industry chain. The Group is currently offering digital entertainment services, including game distribution and music-related entertainment services. It is expected that Qingsong Fund III will mainly invest in the internet and mobile internet related industries, focusing on, in particular, the initial to mid-term business investment in cultural and entertainment, sports industry, consumer upgrades and other fields. As a LP of Qingsong Fund III, the Proposed Investment enables the Group to explore potential investment and acquisition opportunities to promote the Group's integration in the game distribution and music-related entertainment industry chain. The Board also believes that the Proposed Investment can bring direct investment revenue for the Group as well as potential investment and acquisition opportunities which benefit the business development of the Group.

On the above basis, the terms of the Partnership Agreement (including the Capital Commitment to be made by the Group) were determined after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the Partnership Agreement (including the Capital Commitment to be made by the Group) are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders as a whole are concerned, and the Proposed Investment is in the interests of the Company and the Shareholders as a whole.

Mr. Liu, the Chairman of the Board and an executive Director and the controlling Shareholder (as defined in the Listing Rules), is interested in Qianhai Qingsong and Gongqingcheng Zhengyi, and is considered having a material interest in the Proposed Investment. As such, Mr. Liu had abstained from voting at the meeting of the Board approving the Partnership Agreement and the transactions contemplated thereunder.

FINANCIAL IMPACT ON THE INVESTMENT IN QINGSONG FUND III

The Proposed Investment will be classified as an available-for-sale financial asset (the “**AFS financial asset**”) in the Group’s financial statements. Other than transaction costs and returns from the Proposed Investment, the changes in fair value of the AFS financial asset will be recognised in other comprehensive income, which will not affect the Group’s profit or loss. Upon the completion of the Proposed Investment, there is no significant effect to the Group’s net asset value.

INFORMATION ON THE PARTIES TO THE PARTNERSHIP AGREEMENT

Qianhai Qingsong, the GP of Qingsong Fund III, is a limited partnership established and registered in the PRC and is principally engaged in the management of share capital investment and investment of technology enterprises.

Gongqingcheng Zhengyi, one of the LP of Qingsong Fund III, is a limited partnership established and registered in the PRC and is principally engaged in investment management.

The Other Investors include corporations, partnership enterprises and funds established in the PRC and PRC individuals. To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, each of the Other Investors is an Independent Third Party. None of the Other Investors is a Shareholder or an associate of any Shareholder.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Qianhai Qingsong is owned as to 68% by Mr. Liu and as to 4% by a company which is 50% owned by Mr. Liu. Gongqingcheng Zhengyi is ultimately wholly owned by Mr. Liu. As such, each of Qianhai Qingsong and Gongqingcheng Zhengyi is an associate of Mr. Liu and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The Proposed Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in the Listing Rules) for the Proposed Investment is more than 0.1% and is less than 5%, the Proposed Investment is subject to annual review and all disclosure requirements but exempt from independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Commitment”	the aggregate capital contribution in cash that each partner of Qingsong Fund III has agreed to invest in Qingsong Fund III pursuant to the Partnership Agreement
“Company”	A8 New Media Group Limited (A8新媒體集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 800)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gongqingcheng Zhengyi”	共青城正益投資管理合夥企業(有限合夥)(Gongqingcheng Zhengyi Investment Management Partnership Enterprise (Limited Partnership)) (the English name is for identification purposes only), a limited partnership established and registered in the PRC
“GP”	general partner of Qingsong Fund III
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is independent of and not connected with the Company and its connected persons

“Kwaitonglian”	深圳市快通聯科技有限公司 (Shenzhen Kwaitonglian Technology Co., Ltd.) (the English name is for identification purposes only), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LP”	limited partner of Qingsong Fund III
“Mr. Liu”	Mr. Liu Xiaosong, the Chairman of the Board and an executive Director and the controlling Shareholder
“Partnership Agreement”	the partnership agreement dated 12 May 2017 entered into by and among Kwaitonglian, Qianhai Qingsong, Gongqingcheng Zhengyi and the Other Investors in relation to the establishment of and investment in Qingsong Fund III
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Proposed Investment”	the proposed investment of approximately 3.23% interest in Qingsong Fund III in the capacity of LP by Kwaitonglian in accordance with the Partnership Agreement
“Qianhai Qingsong”	深圳市前海青松創業投資基金管理企業(有限合夥) (Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprise (Limited Partnership)) (the English name is for identification purposes only), a limited partnership established and registered in the PRC, and the GP of Qingsong Fund III
“Qingsong Fund III”	深圳市青松三期股權投資基金合夥企業(有限合夥) (Shenzhen Qingsong Phase III Equity Investment Fund Partnership Enterprise (Limited Partnership)) (the English name is for identification purposes only), a limited partnership to be established and registered in the PRC in accordance with the Partnership Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purpose of this announcement, all amounts denominated in RMB has been translated into HK\$ using the exchange rate of RMB0.89:HK\$1. 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 rates or any other rates at all.

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

Hong Kong, 12 May 2017

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.*