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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)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

DISPOSAL OF 51% OF EQUITY INTEREST IN THE TARGET COMPANIES

THE DISPOSAL

The Board hereby announces that on 23 December 2022, A8 Music (a wholly-owned subsidiary of the Company), Huadong Feitian, Blueowl, Tianjin Muba, Blueowlgames, MU77SH and WFOE entered into the Equity Transfer Agreement, pursuant to which (i) Blueowl has agreed to acquire, and A8 Music has agreed to dispose of, 51% of the equity interest in Blueowlgames for a consideration of RMB346,000; and (ii) Tianjin Muba has agreed to acquire, and Huadong Feitian has agreed to dispose of, 51% of the equity interest in MU77SH for a consideration of RMB286,000, subject to the terms and conditions of the Equity Transfer Agreement (collectively, the “**Disposal**”).

Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated with the financial results of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all are below 25%, the Disposal constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of the Equity Transfer Agreement, Mr. Lu Jiexian is a substantial shareholder of the Target Companies, being non-wholly owned subsidiaries of the Company, and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal

also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) Mr. Lu Jiaxian is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

THE DISPOSAL

The Board hereby announces that on 23 December 2022, A8 Music (a wholly-owned subsidiary of the Company), Huadong Feitian, Blueowl, Tianjin Muba, Blueowlgames, MU77SH and WFOE entered into the Equity Transfer Agreement, pursuant to which (i) Blueowl has agreed to acquire, and A8 Music has agreed to dispose of, 51% of the equity interest in Blueowlgames for a consideration of RMB346,000; and (ii) Tianjin Muba has agreed to acquire, and Huadong Feitian has agreed to dispose of, 51% of the equity interest in MU77SH for a consideration of RMB286,000, subject to the terms and conditions of the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

The following sets forth a summary of the principal terms of the Equity Transfer Agreement:

Date

23 December 2022

Parties

- (a) (1) A8 Music;
 - (2) Huadong Feitian (collectively as the “**Vendors**”);
- (b) (1) Blueowl;
 - (2) Tianjin Muba (collectively as the “**Purchasers**”);
- (c) the Target Companies; and
- (d) WFOE.

Subject Matter

- (i) Blueowl has agreed to acquire, and A8 Music has agreed to dispose of, 51% of the equity interest in Blueowlgames for a consideration of RMB346,000; and
- (ii) Tianjin Muba has agreed to acquire, and Huadong Feitian has agreed to dispose of, 51% of the equity interest in MU77SH for a consideration of RMB286,000, with a total Consideration of RMB632,000.

The Consideration was determined after arm's length negotiations between the Purchasers and Vendors with reference to the asset value of the Target Companies as at 30 November 2022.

Payment Terms

Pursuant to the Equity Transfer Agreement, the Consideration, being the amount of RMB632,000, shall be paid by Purchasers to the Vendors in the following manner:

- (i) first instalment: RMB316,000, shall be paid within 10 days from the effective date (i.e. the signing date) of the Equity Transfer Agreement; and
- (ii) second instalment: the remaining portion of the Consideration, being the amount of RMB316,000, shall be paid within 10 days from the Completion Date.

Completion

Pursuant to the Equity Transfer Agreement, MU77SH shall complete the registration of industrial and commercial change (including the removal of equity pledge and equity transfer change registration) and Blueowlgames shall complete the registration of equity change with the companies registry within 30 days after the Vendors receives the first instalment (collectively, the "**Registrations**"). The Completion Date shall be the date of completion of the Registrations.

From the date when Purchasers pays off the Consideration to Vendors, Purchasers shall obtain the shareholder rights corresponding to the transferred equity interests of Target Companies as mentioned above, and share the profits and losses of the Target Companies in accordance with their respective articles of association.

Upon completion of the Disposal, as A8 Music is no longer the shareholder of Blueowlgames, which indirectly held 100% equity interest in WFOE, the VIE Agreements entered between the WFOE, MU77SH and the shareholders of MU77SH are no longer binding to A8 Music.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, it is expected that the Company would record a gain on the Disposal before taxation of approximately RMB2,935,000, being the difference between the Consideration for the 51% equity interest in the Target Companies of RMB632,000 and the Company's net carrying value of the consolidated liability attributable to 51% equity interest in the Target Companies of approximately RMB2,303,000 as at 30 November 2022. The actual gain as a result of the Disposal to be recorded by the Group shall be subject to final audit to be performed by the Company's auditors.

USE OF PROCEEDS

The Company intends to use the proceeds from the Disposal for general working capital of the Group.

Financial information of the Target Companies

Set out below is the unaudited combined financial information of the Target Companies and its subsidiaries (prepared in accordance with the International Financial Report Standard) for the financial years ended 31 December 2020 and 2021:

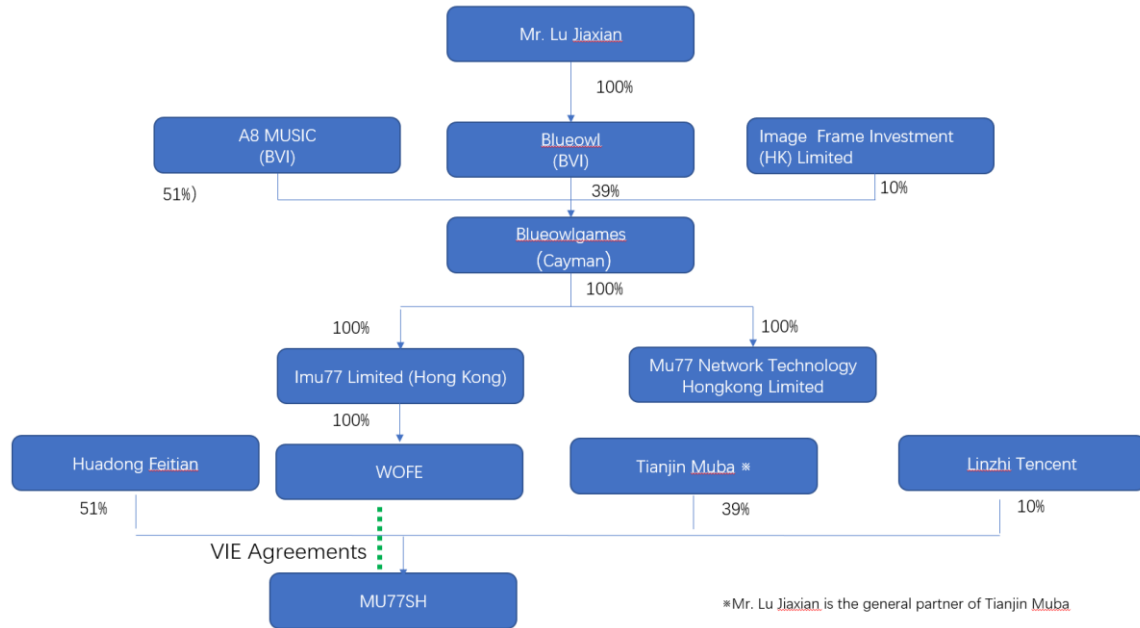
	For the year ended 31 December 2020 RMB'000 (unaudited)	For the year ended 31 December 2021 RMB'000 (unaudited)
Operating revenue	9,855	7,506
Profit before taxation	(3,222)	(5,137)
Profit after taxation	(3,335)	(5,209)

The unaudited combined net liability value of the Target Companies and its subsidiaries as at 30 June 2022 was approximately RMB 4,034,000.

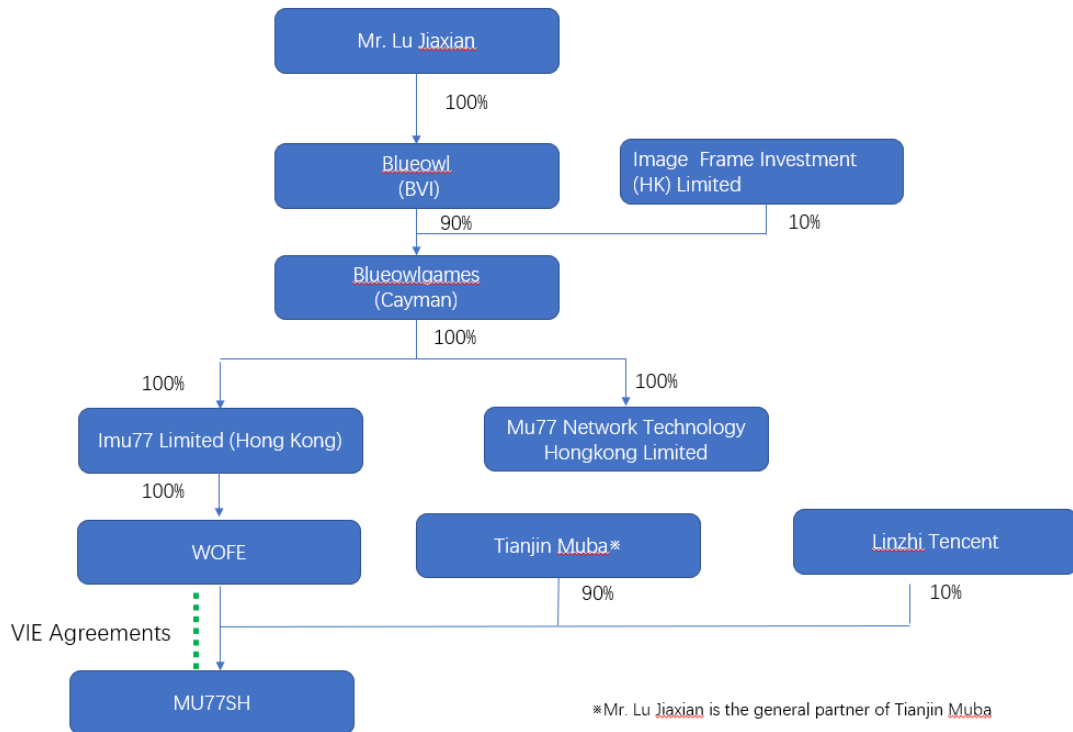
Upon completion of the Disposal, the Target Companies will cease to be subsidiaries of the Company and the financial results of the Target Companies will no longer be consolidated with the financial results of the Group.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANIES

The shareholding structure of the Target Companies as at the date of the Equity Transfer Agreement are set forth as following:



Upon the completion of the Disposal, the shareholding structure of the Target Companies are set forth as following:



INFORMATION ON THE PARTIES INVOLVED

A8 Music and the Group

A8 Music is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company. The Group mainly focuses on the cultural business and property investment.

Huadong Feitian

Huadong Feitian is a limited liability company established in the PRC and a consolidated affiliated entity of the Company. The registered shareholders of Huadong Feitian are Mr. Liu Xiaofeng (75%) and Mr. Li Wei (25%), and it is principally engaged in the provision of internet information service and music performance and property investment business in the PRC.

Blueowl

Blueowl Limited is a company incorporated in the British Virgin Islands without actual business, which is wholly-owned by Mr. Lu Jiaxian.

Tianjin Muba

Tianjin Muba is a limited partnership established in the PRC without actual business, whose general partner is Mr. Lu Jiaxia.

Blueowlgames

Blueowlgames is a company incorporated in the Cayman Islands without actual business, and it is a wholly-owned subsidiary of Blueowl.

MU77SH

MU77SH is a limited liability company established in the PRC. As at the date of the Equity Transfer Agreement, the registered shareholders of MU77SH are Huadong Feitian (51%), Tianjin Muba (39%) and Linzhi Tencent(10%). MU77SH is principally engaged in mobile online game research and development and operation.

WFOE

WFOE, a limited liability company established in the PRC whose principal business is providing technical and consulting services, is a wholly-owned subsidiary of Imu77 Limited which is wholly-owned by Blueowlgames.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The development of the game business of Target Company has been severely hampered by factors such as the national policy on the protection of minors and the management of game plate number and the intensification of game industry competition, and the Target Companies have insufficient cash to sustain their business operations and have ceased business operations. In this case, dispose the Target Company can not only prevent the Group from further incur human and financial resources to maintain the existence and operation of the Target Companies so as to avoid causing further losses to the Group, but also enable the Group to gain certain cash income.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal were arrived at after arm's length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but all are below 25%, the Disposal constitutes a disclosable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Further, as at the date of the Equity Transfer Agreement, Mr. Lu Jiaxian is a substantial shareholder of the Target Companies, being non-wholly owned subsidiaries of the Company, and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) Mr. Lu Jiaxian is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the Disposal is on normal commercial terms and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“A8 Music”	A8 Music Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Blueowl”	Blueowl Limited, a company incorporated in the British Virgin Islands with limited liability
“Blueowlgames”	Blueowlgames Limited, a company incorporated in the Cayman Islands with limited liability
“Board”	the board of the Directors
“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)
“Completion Date”	the date on which the registration procedure for the transfer of the 51% of the equity interest in each of the Target Companies is completed
“Consideration”	the total consideration of RMB632,000 for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 51% of the equity interest in the each of the Target Companies under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 23 December 2022 entered into among A8 Music, Huadong Feitian, Blueowl, Tianjin Muba, Blueowlgames, MU77SH and WFOE in respect of the Disposal, further details of which were set out in the section headed “Equity Transfer Agreement”
“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
“Huadong Feitian”	深圳市華動飛天網絡技術開發有限公司(Shenzhen Huadong Feitian Network Development Co., Ltd.*), a limited liability company established in the PRC
“Imu77 Limited”	Imu77 Limited, a company incorporated in Hong Kong with limited liability
“Linzhi Tencent”	林芝騰訊科技有限公司 (Linzhi Tencent Technology Co., Ltd.*), a company established in the PRC with limited liability
“MU77SH”	上海木七七網絡科技有限公司 (Shanghai Mu77 Network Technology Co., Ltd.*), a company established in the PRC with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“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)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	MU77SH and Blueowlgames, each a “Target Company”
“Tianjin Muba”	天津木巴企業管理諮詢中心（有限合夥）(Tianjin Muba Business Management Consulting Center (Limited Partnership)*), a limited partnership established in the PRC, whose general partner is Mr. Lu Jiaxian
“VIE Agreements”	the series of variable interest entity agreements entered into by and among the WFOE, MU77SH and all the then shareholders of MU77SH on 28 December 2018, which enables the WFOE to effectively control MU77SH, details of which are set out in the announcement issued by the Company dated 28 December 2018
“WFOE”	蘊清網絡科技（上海）有限公司 (Yun Qing Network Technology (Shanghai) Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC with limited liability
“%”	per cent

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

Hong Kong, 23 December 2022

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

- (1) Executive Directors namely Mr. Liu Xiaosong and Mr. Ji Bo; and*
- (2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin.*

** For identification purpose only*