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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)

**CONTINUING CONNECTED TRANSACTION
ENTERING INTO COOPERATION AGREEMENT
IN RESPECT OF THE ENTRUSTED DEVELOPMENT, DISTRIBUTION
AND OPERATION OF MOBILE GAMES**

THE COOPERATION AGREEMENT

On 28 December 2015, the Board approved the entering into a Cooperation Agreement in respect of the entrusted development, distribution and operation of mobile games between the Company and Xiamen Mengjia. Pursuant to the Cooperation Agreement, the Company, through Finger Fun, would entrust Xiamen Mengjia to adapt and develop the animation "Crazy Journey to the West" (「猴西遊」) into a mobile game. After the completion of the game development, Finger Fun would own the software copyrights of such game. At the same time, the Company would act as the exclusive agent for the global distribution and operation of such game through Yunhai Qingtian. Accordingly, the entrusted development fees to Xiamen Mengjia would be paid by the Company. And the operating revenue generated from such game will be shared between the parties of the Cooperation Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Given that (1) Mr. Liu is the executive Director of the Company and a Substantial Shareholder and thus a connected person of the Company; and (2) Xiamen Mengjia is owned as to approximately 36.97% by Mr. Liu and thus an Associate of Mr. Liu. Xiamen Mengjia is a connected person of the Company pursuant to the requirements of the Listing Rules. The transactions conducted under the Cooperation Agreement constitute continuing connected transactions for the Company under the Listing Rules, and the highest applicable Percentage Ratios of the relevant annual caps as specified under the Listing Rules are higher than 0.1% but less than 5%, thus the Cooperation Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval. The Cooperation Agreement shall also be subject to the annual review requirements, and details of the Cooperation Agreement shall be included in the annual report and accounts of the Company.

In view of his interests in Xiamen Mengjia, Mr. Liu has abstained from voting on the Board resolution approving the Cooperation Agreement.

BACKGROUND OF CORPORATION

Finger Fun has benefited from its advanced layout in prime copyrights following the continuing popularity of prime copyright market, and will continue to strengthen its copyright reserve to maximize the values of copyright through deeper excavation. Recently, Finger Fun has set up a joint venture named Grass Entertainment with Vasoon, a famous original animation-and-comic production company with over 20 years of operation in China. The mission of Grass Entertainment is to incubate copyright and develop its branding, then monetize through the development of peripheral products (including mobile games) and copyright authorisation (including animation, comic and movies). Grass Entertainment will focus on the incubation of several copyrights including the signature copyright "Crazy Journey to the West" (「狼西遊」) from the Vasoon in the near future.

THE COOPERATION AGREEMENT

Date:

28 December 2015

Parties:

- (1) Finger Fun;
- (2) Xiamen Mengjia; and
- (3) Yunhai Qingtian.

Major terms:

- (1) *Finger Fun would entrust Xiamen Mengjia for mobile game adaptation and development*

Finger Fun owns the mobile game adaptation rights of the animation "Crazy Journey to the West" (「狼西遊」), and Xiamen Mengjia is a mobile game developer. The Company would entrust Xiamen Mengjia to adapt and develop the animation "Crazy Journey to the West" (「狼西遊」) into a mobile game through Finger Fun, with a development period not longer than nine months. After the completion of the game development, Finger Fun would own the software copyrights of such game.

The entrusted development fees of RMB3,000,000 (representing HK\$3,636,364) to Xiamen Mengjia would be paid by the Company. The entrusted development fees would be paid by two instalments. RMB1,500,000 would be paid within 15 working days after the Cooperation Agreement is in force, and the remaining RMB1,500,000 would be paid within 15 working days after the mobile game meets the standards of commercialized version.

- (2) *Yunhai Qingtian would act as the exclusive agent for the global distribution and operation of such game*

Yunhai Qingtian is an operating entity of the Group and engages in distribution and operation business of mobile games. The Company would act as the exclusive agent for the global distribution and operation of such game through Yunhai Qingtian, and Yunhai Qingtian may authorize or transfer the exclusive agent to the third party.

The Company is required to share revenues with Xiamen Mengjia based on the operating revenue according to the following sharing ratios :

- i) The sharing ratios based on the game's total revenue for the distribution in PRC regions are as follow:

	iOS platform		Android platform	
	The Company	Xiamen Mengjia	The Company	Xiamen Mengjia
≤RMB10 million	80%	20%	70%	30%
>RMB10 million	80%	20%	80%	20%

- ii) The sharing ratios based on the game's total revenue or license fees for the distribution in overseas, including Hong Kong, Macau and Taiwan regions, are as follow:

	Total revenue		License fees	
	The Company	Xiamen Mengjia	The Company	Xiamen Mengjia
Distributed by Yunhai Qingtian	70%	30%	N/A	N/A
Distributed by Xiamen Mengjia	20%	80%	N/A	N/A
Distributed by third parties	10%	20%	N/A	N/A
Transfer of the overseas distribution rights to third parties	N/A	N/A	50%	50%

The participation prepayment of RMB1,000,000 (representing HK\$1,212,121) to Xiamen Mengjia would be paid by the Company. The participation prepayment would be settled by two instalments. RMB500,000 would be paid within 15 working days after the contract is in force, and the remaining RMB500,000 would be paid within 15 working days after the mobile game meets the standards of commercialized version. And the participation prepayment would be deducted from the revenues shared with Xiamen Mengjia.

PRICING BASIS OF THE CONTINUING CONNECTED TRANSACTION

The prices for the above-mentioned services will be determined on the following bases:

- (1) the prevailing fair market prices set by industry participants for similar transactions; or
- (2) the historical prices of similar transactions entered into between the Company and independent third parties.

The payment clearance makes reference to the payment terms and practice of similar transactions among industry participants during the transaction period.

ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTION

The following table sets out the proposed annual caps of the transactions contemplated under the Cooperation Agreement from 28 December 2015 to 31 December 2017.

	Annual Cap from 28 Dec 2015 to 31 Dec 2015 (RMB'000)	Annual Cap from 1 Jan 2016 to 31 Dec 2016 (RMB'000)	Annual Cap from 1 Jan 2017 to 31 Dec 2017 (RMB'000)
Entrusted development fees	1,500	1,500	0
Participation prepayment	500	500	0
Sharing of operating revenue	0	7,500	7,500
Total :	2,000	9,500	7,500

The above-mentioned annual caps were determined based with reference to: ①the progress of the payment of estimated entrusted development fees and the participation prepayment based on the development progress of the game; ② the game will be made available online in August 2016 and ③ the reasonable assessment of the market size of related games; ④the historical revenue size of the mobile game products distributed by the Company; ⑤ the estimated revenue with reference to proportion of share as agreed under the cooperation agreement.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

Following the continuing popularity of IP, the Group endeavoured to reserve prime IP and reveal the value of IP. Finger Fun has reserved several IP, the mobile games of which will be published and operated after they are developed through collaboration with game developers. Finger Fun owns the mobile game adaptation rights for "Crazy Journey to the West" (「狼西遊」); and Xiamen Mengjia has rich and successful experience in developing mobile games. "Dream Raiders", a game developed by Xiamen Mengjia, has obtained good performance in global publication; Hence the Board believes that the entrusted adaptation and development of mobile game by Xiamen Mengjia for the Company is a supplement to the Company's mobile game development ability, which helps us to achieve productization and commercialization of prime IP.

The Directors (including the independent non-executive Directors) are of the view that the Cooperation Agreement in relation to the entrusted development, distribution and operation of mobile games entered into by the Company and Xiamen Mengjia is in the ordinary and usual course of business of the Company. Its terms and consideration are determined based on normal commercial terms after arm's length negotiations between both parties. The terms of the

Cooperation Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Save for Mr. Liu, none of the Directors had any material interest in the entering into of the Cooperative Agreement; and therefore no Director (except Mr. Liu) is required to abstain from voting on the board resolutions to approve and ratify the Cooperative Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Given that (1) Mr. Liu is the executive Director of the Company and a Substantial Shareholder and thus a connected person of the Company; and (2) Xiamen Mengjia is owned as to approximately 36.97% by Mr. Liu and thus an Associate of Mr. Liu. Xiamen Mengjia is a connected person of the Company pursuant to the requirements of the Listing Rules. The transactions conducted under the above Cooperation Agreement constitute continuing connected transactions for the Company under the Listing Rules, and the highest applicable Percentage Ratios of the relevant annual caps as specified under the Listing Rules are higher than 0.1% but less than 5%, thus the Cooperation Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval. The Cooperation Agreement shall also be subject to the annual review requirements, and details of the Cooperation Agreement shall be included in the annual report and accounts of the Company.

In view of his interests in Xiamen Mengjia, Mr. Liu has abstained from voting on the Board resolution approving the Cooperation Agreement.

INFORMATION ON THE PARTIES

The Group principally engages in the business of providing mobile internet services related to digital music and mobile games, etc. Finger Fun and Yunhai Qingtian are the wholly-owned subsidiaries of the Company. They principally engage in the agency, distribution and operating business of mobile games and are committed to building a prime game distribution platform.

Xiamen Mengjia is a company established in PRC with limited liability. Xiamen Mengjia is indirectly owned as to 10% by the Company and directly owned as to approximately 36.97% by Mr. Liu. Xiamen Mengjia is a developer of mobile games.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Associate”	has the meaning ascribed to the term under the Listing Rules
“Board”	the board of Directors of the Company

“Company”	A8 New Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 800)
“Connected Person”	has the meaning ascribed to the term under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 28 December 2015 entered into between the Company and Xiamen Mengjia through Finger Fun and Yunhai Qingtian in relation to the entrusted development, distribution and operation of mobile games
“Director(s)”	the director(s) of the Company
“Finger Fun”	Shenzhen Finger Fun Network Technology Co., Ltd. (深圳市指遊方寸網絡科技有限公司), a company established in PRC with limited liability and a subsidiary directly controlled by the Group
“Grass Entertainment”	Beijing Grass Entertainment Culture Co., Ltd (北京青草娛樂文化有限公司), a company established in PRC which is a joint venture of Finger Fun of the Group and Vasson
“Group”	the Company and its subsidiaries (Finger Fun and Yunhai Qingtian included)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IP”	Initials of Intellectual Property, means copyright
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Liu”	Mr. Liu Xiaosong, an executive Director of the Company and a Substantial Shareholder
“Percentage Ratio(s)”	has the meaning ascribed to the term under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Vasoon”	Beijing Vasoon Animation Co., Ltd (北京青青樹動漫科技有限公司), a company established in PRC with limited liability
“RMB”	Renminbi, the lawful currency of PRC

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to the term under the Listing Rules
“Yunhai Qingtian”	Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. (深圳市雲海情天文化傳播有限公司), a company established in PRC with limited liability, a wholly-owned subsidiary indirectly controlled by the Company through the framework agreement and also a wholly-owned subsidiary directly controlled by Finger Fun
“Xiamen Mengjia”	Xiamen Mengjia Network Technology Co., Ltd. (廈門夢加網路科技有限公司), a company established in PRC with limited liability
“%”	percentage

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB0.8250 = HK\$1 for the purpose of illustration.

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

Hong Kong, 28 December 2015

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

- (1) Executive Directors namely Mr. Liu Xiaosong and Mr. Liu Pun Leung; and*
- (2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Song Ke.*