THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in A8 New Media Group Limited ("**Company**"), you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR DISPOSAL –
DISPOSAL OF INTEREST IN THE TARGET PURSUANT TO EXERCISE OF EQUITY PURCHASE RIGHT

Terms used in this cover shall have the same meaning as defined in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders' approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

5 June 2019

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

"2017 Acquisitions"	the acquisitions of an aggregate of 5% equity interest in the Target by the Group from certain Independent Third Parties in December 2017, details of which are set out in the 2017 Announcement
"2017 Capital Contribution"	the injection of RMB30,000,000 by the Group into the Target as its registered capital and capital reserve in October 2017 whereby the Target was held as to 5% by the Group immediately after such injection, details of which are set out in the 2017 Announcement
"2017 Capital Increase Supplemental Agreement"	the capital increase supplemental agreement dated 17 October 2017 entered into between, among others, Yunhai Qingtian, the Target and the Founders in relation to, among other matters, the operation and management of the Target, particulars of which are set out in the 2017 Announcement
"2017 Equity Compensation"	the acquisition of an aggregate of 5.96% equity interest in the Target by the Group from the Founders at a consideration of RMB1 as the Equity Compensation in July 2018, details of which are set out in the 2018 September Announcement
"2017 Equity Transfer Supplemental Agreement"	the equity transfer supplemental agreement dated 18 December 2017 entered into by and among Yunhai Qingtian, the Founders and the Target, particulars of which are set out in the 2017 Announcement
"2018 Acquisitions"	the acquisitions of an aggregate of 13.56% equity interest in the Target by the Group from certain Independent Third Parties in March 2018, details of which are set out in the 2018 March Announcement
"2018 Equity Transfer Supplemental Agreement"	the equity transfer supplemental agreement dated 13 March 2018 entered into by and among Yunhai Qingtian, the Founders and the Target, particulars of which are set out in the 2018 March Announcement
"Announcement"	the announcement of the Company dated 25 March 2019 regarding, among other things, cash compensation in respect of non-fulfilment of performance guarantee and the Disposal pursuant to exercise of the Equity Purchase Right

"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)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of an aggregate of 23.56% equity interest in the Target by the Group to the Founders by way of exercise of the Equity Purchase Right under the Exercise Notice
"Founder A"	劉澤文 (Ms. Liu Zewen), the spouse of Founder B
"Founder B"	張金勝 (Mr. Zhang Jinsheng), the spouse of Founder A
"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) independent of the Company and its connected persons
"Latest Practicable Date"	31 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"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
"Target"	藍藍藍藍影視傳媒(天津)有限公司 (Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd.*), a company established in the PRC with limited liability
"Target Group"	the Target and its subsidiaries
"Yunhai Qingtian"	深圳市雲海情天文化傳播有限公司 (Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent

In this circular, amounts denominated in RMB have been converted into HK$ at the rate of RMB0.85=HK$1.00 for the purpose of illustration. Such Exchange rate is for illustration purpose only and does not constitute representations that any amount in RMB or HK$, could have been or may be converted at such rate.

For ease of reference, the names of the PRC entities (including certain of our subsidiaries) have been included in this circular in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translation of company names in Chinese or another language which are marked with "" is for identification purposes only.*

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)

Executive Directors:
Mr. Liu Xiaosong *(Chairman & Chief Executive Officer)*
Mr. Lin Qian *(Chief Financial Officer)*

Independent non-executive Directors:
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Ms. Wu Shihong
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5 June 2019

To the Shareholders

Dear Sir or Madam

MAJOR DISPOSAL – DISPOSAL OF INTEREST IN THE TARGET PURSUANT TO EXERCISE OF EQUITY PURCHASE RIGHT

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 18 December 2017 ("**2017 Announcement**") in relation to the 2017 Capital Contribution and the 2017 Acquisitions; (ii) the announcement of the Company dated 13 March 2018 ("**2018 March Announcement**") in relation to the 2018 Acquisitions; and (iii) the announcement of the Company dated 3 September 2018 ("**2018 September Announcement**") in relation to the 2017 Equity Compensation.

Reference is further made to the Announcement in which it was announced that on 25 March 2019, the Company issued the Exercise Notice (as defined below) to the Founders pursuant to which (i) the Group requested the Founders to compensate the Group with the Cash Compensation (as defined below) for the non-fulfilment of the performance guarantee for 2018 of the Target Group; and (ii) the Group also exercised the Equity Purchase Right (as defined below) by requesting the Founders to purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%).

The purpose of this circular is to provide you with, (i) among other things, further information on the Disposal; (ii) further information on the Target Group; and (iii) other information required under the Listing Rules.

THE GROUP'S RIGHTS TO CASH COMPENSATION AND EQUITY PURCHASE

Right to cash compensation under the 2017 Capital Contribution and the 2017 Acquisitions

As disclosed in the 2017 Announcement, in accordance with the 2017 Equity Transfer Supplemental Agreement, the Founders have undertaken in favour of the Group that the net profit of the Target Group disregarding non-recurring gains or losses as shown in the consolidated financial statements ("**Audited Profit**") 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 the Target cannot meet 90% of the Target Profit ("**90% Performance Target**") for any of the financial years ending 31 December 2017, 2018 and 2019, the Founders and/or the Target shall compensate the Group either in cash ("**Cash Compensation**") or by way of equity interest in the Target ("**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 × the aggregate consideration for the 2017 Acquisitions; or

(2) the proportion of the Equity Compensation for the financial year = (A/B × 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 the Target transferred to the Group under the 2017 Acquisitions (i.e. 5%).

Similar performance guarantee in respect of the equity interest in the Target acquired by the Group under the 2017 Capital Contribution (i.e. 5%) was also given in favour of the Group under the 2017 Capital Increase Supplemental Agreement.

Right to equity purchase under the 2017 Capital Contribution, the 2017 Acquisitions and the 2018 Acquisitions

The 2017 Capital Contribution and the 2017 Acquisitions

As disclosed in the 2017 Announcement, in accordance with the 2017 Equity Transfer Supplemental Agreement, the Group may request the Founders or the Target to purchase all or part of the equity interest in the Target as transferred to the Group under the 2017 Acquisitions (i.e. 5%) if the Audited Profit for any of the financial years ending 31 December 2017, 2018 and 2019 is less than 50% of the Target Profit ("**50% Performance Target**") for that financial year.

The price for the equity purchase shall be the sum of (i) the actual investment amount of the Group in the Target; and (ii) the interest calculated at a simple interest rate of 12% per annum, calculated as:

$P = M \times (1 + 12\% * T)$

Where:

"**P**" means the equity purchase price to which the Group is entitled to receive;

"**M**" means the consideration paid wholly or partially by the Group under the 2017 Acquisitions attributable to the equity interest in the Target to be repurchased as requested by the Group; and

"**T**" means the number of days from the date of completion of the 2017 Acquisitions to the date of the exercise notice given by the Group for the equity purchase divided by 365.

The Founders or the Target Group shall complete the equity purchase within 90 business days upon receipt of the exercise notice given by the Group for the equity purchase. If the completion of the equity purchase does not take place within the said 90 business days, the Founders or the Target Group shall be subject to a default interest which shall accrue on the equity purchase price at a rate of 0.05% per day.

Similar right in respect of the equity interest in the Target acquired by the Group under the 2017 Capital Contribution (i.e. 5%) was also given in favour of the Group under the 2017 Capital Increase Supplemental Agreement.

The 2018 Acquisitions

As disclosed in the 2018 March Announcement, in accordance with the 2018 Equity Transfer Supplemental Agreement, the Group may request the Founders or the Target to purchase all or part of the equity interest in the Target as transferred to the Group under the 2018 Acquisitions (i.e. 13.56%) if the Audited Profit for the financial year ending 31 December 2018 and 2019 is less than RMB30,000,000 ("**30M Performance Target**") and RMB45,000,000 respectively.

The price for the equity purchase shall be the sum of (i) the actual investment amount of the Group in the Target; and (ii) the interest calculated at a simple interest rate of 12% per annum, calculated by the formula same as that applicable to the calculation for the equity purchase for the 2017 Acquisitions as provided above, except that all references to the 2017 Acquisitions shall be replaced by the 2018 Acquisitions.

The Founders or the Target Group shall complete the equity purchase within 90 business days upon receipt of the exercise notice given by the Group for the equity purchase. If the completion of the equity purchase does not take place within the said 90 business days, the Founders or the Target Group shall be subject to a default interest which shall accrue on the equity purchase price at a rate of 0.05% per day.

Details of each of the 2017 Acquisitions and 2018 Acquisitions are summarised as below:

The 2017 Acquisitions

Relevant agreements	% of equity interest in the Target acquired by the Group	Consideration	Completion date
Equity Transfer Agreement I	1.90%	RMB10,260,000	28 January 2018
Equity Transfer Agreement II	1.71%	RMB9,234,000	
Equity Transfer Agreement III	1.39%	RMB7,506,000	
Total	5%	RMB27,000,000	

The 2018 Acquisitions

Relevant agreements	% of equity interest in the Target acquired by the Group	Consideration	Completion date
Equity Transfer Agreement I	10.17%	RMB54,918,000	13 April 2018
Equity Transfer Agreement II	1.71%	RMB9,234,000	
Equity Transfer Agreement III	0.95%	RMB5,130,000	
Equity Transfer Agreement VI	0.73%	RMB3,942,000	
Total	13.56%	RMB73,224,000	

As disclosed in the 2018 September Announcement, based on the audited consolidated financial statements of the Target for the financial year ended 31 December 2017, the Audited Profit of the Target Group for 2017 was RMB25,054,105.46. As the Target failed to meet the 90% Performance Target for 2017, on 4 July 2018, Yunhai Qingtian, the Target and the Founders entered into the financial results compensation implementation agreement (業績補償實施協議) pursuant to which the Founders shall transfer an aggregate of 5.96% equity interest in the Target to Yunhai Qingtian at a consideration of RMB1 (i.e. the 2017 Equity Compensation). Completion of the 2017 Equity Compensation had taken place as at the Latest Practicable Date. Further details of the 2017 Equity Compensation are set out in the 2018 September Announcement.

NON-FULFILMENT OF PERFORMANCE GUARANTEE FOR 2018

Based on the audited consolidated financial statements of the Target for the financial year ended 31 December 2018, the Target Group recorded an audited net loss of approximately RMB65,042,000 for 2018 and therefore did not meet the 90% Performance Target for that year, the Group is entitled to compensation by the Founders and/or the Target either by way of the Cash Compensation or Equity Compensation at the option of the Group. The Cash Compensation payable by the Founders and/or the Target would amount to approximately RMB118,790,000 (equivalent to approximately HK$139,753,000).

As the Target Group does not meet the 50% Performance Target and the 30M Performance Target for 2018, the Group is also entitled to request the Founders or the Target to purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%) at the equity purchase price of RMB146,380,434 (equivalent to approximately HK$172,212,000), which is calculated in accordance with the terms and conditions of the 2017 Capital Increase Supplemental Agreement, the 2017 Equity Transfer Supplemental Agreement and the 2018 Equity Transfer Supplemental Agreement mentioned above ("**Equity Purchase Right**") and having taken into account the First Payment (as defined below).

CASH COMPENSATION AND DISPOSAL PURSUANT TO EXERCISE OF EQUITY PURCHASE RIGHT

On 25 March 2019 (after trading hours), Yunhai Qingtian, a wholly-owned subsidiary of the Company, issued a notice ("**Exercise Notice**") to the Founders pursuant to which the Group requested the Founders to compensate the Group with the Cash Compensation for the non-fulfilment of the performance guarantee for 2018 as mentioned above. By way of the Exercise Notice, the Group also exercised the Equity Purchase Right by requesting the Founders to purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%).

On the same day, in response to the Exercise Notice, the Founders executed an undertaking letter ("**Undertaking Letter**") in favour of Yunhai Qingtian pursuant to which the Founders have undertaken to the Group to perform their obligations to compensate the Group by way of the Cash Compensation and purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%).

However, as stated in the Undertaking Letter, in view of serious shortage of fund, the Founders will perform their obligations to compensate the Group with the Cash Compensation and purchase all of the equity interests of the Target as mentioned above within three years from the date of the Undertaking Letter ("**Extension Period**") and will pay the default interest in accordance with the terms and conditions of the 2017 Capital Increase Supplemental Agreement, the 2017 Equity Transfer Supplemental Agreement and the 2018 Equity Transfer Supplemental Agreement. The Founders have also undertaken that all cash dividends received from the Target will be used for the Cash Compensation and purchasing all of the equity interests in the Target as mentioned above.

Pursuant to the Undertaking Letter, the Founders have undertaken to repay the Group the Cash Compensation and purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions within the Extension Period. Upon receiving the full amount of the consideration for the Disposal from the Founders within the Extension Period, the Group will transfer all of the equity interests in the Target (i.e. an aggregate of 23.56%) as mentioned above to the Founders, as when the completion of the Disposal will take place.

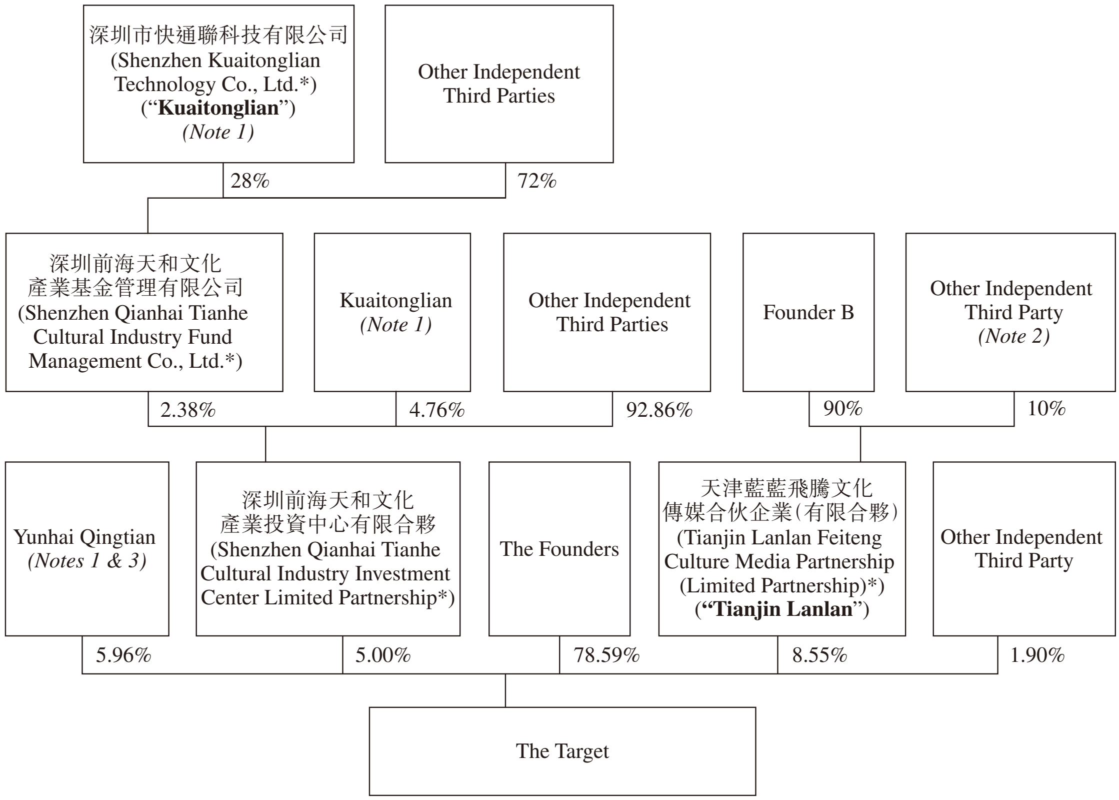
Taking into account the First Payment made by the Founders and assuming the completion of the Disposal will only take place on the last day of the Extension Period and no other payment of consideration is made by the Founders to the Group during the Extension Period, the Group shall be entitled to default interest, in aggregate, of RMB60,545,804 (equivalent to approximately HK$71,230,000) payable by the Founders. On this basis, the maximum consideration for the Disposal, i.e. being the sum of the equity purchase price for the 23.56% equity interest in the Target of RMB146,380,434 and the maximum default interest receivable of RMB60,545,804, is RMB206,926,238 (equivalent to approximately HK$243,443,000) ("**Maximum Consideration**"). The Company is of the view that it is of great uncertainty to recover all of the Cash Compensation and/or the consideration for the Disposal from the Founders as it mainly depends on the ability of the Target Group to declare dividends and the financial conditions of the Founders.

In anticipation of the non-fulfilment of the 50% Performance Target and the 30M Performance Target for 2018 by the Target Group, the Founders paid an aggregate of RMB5,000,000 (equivalent to approximately HK$5,882,000) to the Group as part of the equity purchase price for the Disposal on 29 January 2019 ("**First Payment**").

Shareholding structure of the Target upon completion of the Disposal

As at the Latest Practicable Date, the Target was owned as to 29.52% by the Group and was classified as an associate of the Group in its financial statements. Immediately after completion of the Disposal, the Target will be owned as to 5.96% by the Group.

The shareholding structure of the Target immediately after completion of the Disposal will be as follows:



Notes:

1. Each of Kuaitonglian and Yunhai Qingtian is a wholly-owned subsidiary of the Company through a series of variable interest entity agreements and arrangements.

2. The shareholder holding 10% equity interest of Tianjin Lanlan is the director and vice general manager of the Target.

3. The 5.96% equity interest in the Target held by Yunhai Qingtian was acquired by the Group as a result of the 2017 Equity Compensation, details of which are set out in the 2018 September Announcement.

Immediately after completion of the Disposal, the Group will continue to hold approximately 5.96% equity interest in the Target and such remaining investment in the Target will be classified as financial asset at fair value through other comprehensive income of the Group in its financial statements. As at the Latest Practicable Date, the Group did not have the intention to dispose of the remaining equity interest in the Target.

INFORMATION ON THE TARGET GROUP AND THE FOUNDERS

The Target is a company established in the PRC with limited liability in 2014. The Target Group is principally engaged in script writing, sale of script, development and production of script into web series, TV series, cinema movies and web movies and its sale and related businesses.

Set out below is the summary of the audited consolidated financial information of the Target Group for the years ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December 2017 *Approximately*	**For the year ended 31 December 2018** *Approximately*
Revenue	RMB60,447,000 (equivalent to approximately HK$71,114,000)	RMB32,834,000 (equivalent to approximately HK$38,628,000)
Net profits/(loss) before taxation	RMB31,203,000 (equivalent to approximately HK$36,709,000)	(RMB74,422,000) (equivalent to approximately (HK$87,555,000))
Net profit/(loss) after taxation	RMB25,054,000 (equivalent to approximately HK$29,475,000)	(RMB65,042,000) (equivalent to approximately (HK$76,520,000))

The audited consolidated total asset value and net asset value of the Target Group as at 31 December 2018 were approximately RMB54,710,000 (equivalent to approximately HK$64,365,000) and approximately RMB32,734,000 (equivalent to approximately HK$38,511,000) respectively.

The Founders are the founders of the Target Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Founders are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the provision of digital entertainment services as well as property investment in the PRC.

The Target Group launched the animated movie called "Pretty Princess" (「兩個俏公主」) in 2018 and the cost of which amounted to approximately RMB30 million. Nevertheless, the performance of this movie at the box office was not satisfactory. Further, there was asset impairment loss of approximately RMB34.6 million incurred by the Target Group in 2018, comprising (i) the bad debt written off of approximately RMB8.9 million; and (ii) the impairment loss on stock of approximately RMB25.7 million which was mainly attributable to the aggregate decrease in value of approximately RMB22.2 million of two television dramas, namely "Pearl Earrings" (「珍珠耳環」) and "Feather Earrings" (「羽毛耳環」), as they were broadcasted on the local television platforms in 2016 and 2017 and the chance of these two dramas of being resold to other local television platforms and/or online platforms in the future is possibly low. Since the investment in the Target Group by the Group in late 2017, the Company has been constantly scrutinising the businesses of the Target Group. As mentioned above, as the performance of the animated movie "Pretty Princess" (「兩個俏公主」) at the box office was not satisfactory, the Target Group decided to temporarily suspend the business of animated movies. It is also expected that the business plan of the Target Group for television dramas will be stagnant in the next two years. Further, it is expected that the revenue from the sale of scripts by the Target Group, as well as the scale and progress of the development of the Target Group's online films, in 2019 and 2020 will be lower than the business forecast made at the end of 2017. Taking into account the fact that the Target Group's performance for 2018 was not satisfactory and the uncertainty of the return and profitability of the Target Group in the future, the Directors consider that the Disposal pursuant to the exercise of the Equity Purchase Right represents an opportunity for the Group to realise its investment in the Target Group at a reasonable price as provided for under the 2017 Capital Contribution Supplemental Agreement, the 2017 Equity Transfer Supplemental Agreement and the 2018 Equity Transfer Supplemental Agreement.

As mentioned above, the Group's ability to recover all of the Cash Compensation and/or the consideration for the Disposal from the Founders depends on (i) the ability of the Target Group to declare dividends; and (ii) the financial conditions of the Founders. In view of the financial conditions of the Founders and the financial performance of the Target Group as explained above, the Directors consider that there is a high risk of failure in receiving all of the Cash Compensation and/or the consideration for the Disposal from the Founders. To mitigate such risk, the Company will adopt several measures to closely monitor the financial performance of the Target Group and ensure that the Founders will make repayment to the Group as soon as practicable.

Firstly, in order to assert better control on the financial performance of the Target Group, the Group will seek to maintain regular communication with the management of the Target Group (including but not limited to the Founders) and to check for updates on the business operations and financial information of the Target Group regularly. Since Founder A is the chief executive officer of the Target who is responsible for the creation and scriptwriting management of the Target and Founder B is the general manager and the chairman of the board of directors of the Target who is responsible for the strategic planning of the Target Group, maintaining a close contact with the Founders will enable the Group to have a better understanding of the performance of the Target Group. If there is any major change or abnormality in the business of the Target Group, the Group will set up a responsible team to follow up with the Founders.

In assessing the ability of the Target Group to declare dividend in the coming future, despite the fact that the business performance of the Target Group's online films in 2019 and 2020 is not as good as expected, the Directors believe that the performance of the online film business of the Target Group still has room for improvement and thus the declaration of the dividend is not absolutely impossible. The business strategy of the Target Group has been adjusted in 2019, for instance, the business of cinema films has been suspended and the business focus of the Target Group has been shifted to its online film business. During the first quarter of 2019, two movies have been broadcasted online. Therefore, the Directors believe that the business performance of the online film business of the Target Group may be improved in 2019. If the financial results of the Target Group for 2019 are not satisfactory, the Group will reassess the risk of recovering the Cash Compensation and the consideration for the Disposal from the Founders, and, if necessary, take corresponding measures in order to protect the interests of the Company and the Shareholders.

Apart from keeping a close eye on the business performance of the Target Group, the Company has spared no effort in urging the Founders to repay the Cash Compensation and/or the consideration for the Disposal. In China, there is no legal mean for the Company to obtain information regarding the personal assets of the Founders before filing a lawsuit against them. As such, the Company has maintained close communication with the Founders regularly regarding their financial conditions. In early 2019, the Founders have made the First Payment to the Group from their then available financial resources. After making the First Payment, the Company was informed by the Founders that apart from their shares in the Target, the major asset held by the Founders is a property located in Tianjin Binhai New Area which has been mortgaged to a bank. The Company is exploring the possibility of urging the Founders to sell such property to a third party, and part of the sale proceeds, i.e. approximately RMB6,000,000, will be repaid to the mortgagee bank while the remaining sale proceeds will be used to repay part of the outstanding consideration to the Group. However, considering the uncertain appropriate time and price of selling the property, the Company has not devised a practicable timetable with a clear timeframe in respect of the disposal of the property as at the Latest Practicable Date.

The Company was reassured by the Founders that the Founders will commit themselves to repaying the outstanding consideration to the Group once practicable, including but not limited to the realisation of their investment in the property and the Target Group as well as utilising any incoming cash flow or assets in the future. Therefore, the Directors are satisfied that the Company has made and will continue to make its best endeavours to safeguard its rights and assets (e.g. the consideration receivable). Based on all current information given by the Founders, the Company believes that the Founders have exhausted their means to finance the consideration payable to the Group.

In view of the risk involved in collecting the Cash Compensation and/or the consideration for the Disposal from the Founders, the Company had also considered alternative means in realising the investment in the Target Group, including selling its equity interest in the Target Group to other third parties. However, due to the recent unsatisfactory performance of the Target Group as well as the stagnant growth in the film and television industry, the Directors believe that net realisable value of the Target Group in the market would be relatively low. After careful consideration, the Directors (including the independent non-executive Directors) believe that the realisation of the investment in the Target Group by way of the Disposal is in the best interest of the Company and the Shareholders as a whole.

After taking into account (i) the business performance of the Target Group as elaborated above; (ii) the absence of other better alternatives to realise the investment in the Target Group; (iii) the absence of the Founders' major personal assets (other than their interests in the Target Group and the property as mentioned above) in repaying the full amount of consideration at this moment; and (iv) the Group's devoted means to procure the Founders to make prompt repayment, the Directors consider that the settlement terms of the Disposal are in the interest of the Company and the Shareholders as a whole.

The terms of the Disposal were determined after arm's length negotiations between the Group and the Founders. In light of the reasons above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal pursuant to the exercise of the Equity Purchase Right are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Earning

A net gain or loss to be recorded by the Group from the Disposal will be calculated with reference to the difference between (i) the amount of the consideration (including default interest) to be received by the Group from the Disposal; and (ii) the carrying amount of the Group's interest in the Target Group as at the time of completion of the Disposal. Assuming the completion of the Disposal will only take place on the last day of the Extension Period and no payment of consideration (other than the First Payment) is made by the Founders to the Group during the Extension Period, the Maximum Consideration to which the Group is entitled is RMB206,926,238 (equivalent to approximately HK$243,443,000). As at 31 December 2018, the unaudited carrying amount of the Group's interest in the Target Group (including investment in associates and financial assets at fair value through profit or loss) was approximately RMB45.8 million, after the impairment of goodwill of approximately RMB72.0 million as it was expected that the future recoverable amount is lower than the investment cost of the Group due to the reasons mentioned above. For illustration purpose only and based on the said figures and assuming the Group can receive the Maximum Consideration in full, an unaudited gain of approximately RMB161.1 million would be recorded by the Group at the completion of the Disposal. However, the Company would like to reiterate the great uncertainty of the recoverability of the consideration for the Disposal from the Founders due to the reasons set out above. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company and depends on the net asset/liability value of the Target Group as at the date of completion of the Disposal. The Company intends to use the net proceeds from the Disposal for the general working capital of the Group.

Assets and liabilities

As mentioned above, assuming the Group can receive the Maximum Consideration in full, an unaudited gain of approximately RMB161.1 million would be recorded by the Group at the completion of the Disposal, if it is assumed to be taken place on the last day of the Extension Period. The consolidated net asset value of the Group is expected to increase by approximately RMB161.1 million upon completion.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal pursuant to the exercise of the Equity Purchase Right is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since no Shareholder would be required to abstain from voting if the Company was to convene a general meeting for the approval of the Disposal, written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. A closely allied group of Shareholders comprising, Mr. Liu Xiaosong, Ever Novel Holdings Limited and Prime Century Technology Limited, which together are beneficially interested in an aggregate of 1,461,633,398 issued Shares, representing approximately 54.12% of the issued share capital of the Company as at the Latest Practicable Date, has given written approval in respect of the Disposal.

Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Disposal. As at the Latest Practicable Date, Ever Novel Holdings Limited is a company whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu Xiaosong for the benefit of his family members while Prime Century Technology Limited is a company owned as to 80.20% by Ever Novel Holdings Limited and as to 19.80% by the cousin of Mr. Liu Xiaosong. As at the Latest Practicable Date, each of Mr. Liu Xiaosong, Ever Novel Holdings Limited and Prime Century Technology Limited holds 5,766,000, 1,076,371,095 and 379,496,303 Shares, representing approximately 0.21%, 39.85% and 14.05% of the issued share capital of the Company, respectively.

To the best of the Directors' knowledge, information and belief, no Director is required to abstain from voting on the board resolutions in relation to the approval of the Disposal.

RECOMMENDATIONS

The Directors consider that the Disposal pursuant to the exercise of the Equity Purchase Right and the transactions contemplated thereunder are on normal commercial terms which are made on an arm's length basis and are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the financial and general information as set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following annual reports of the Company for the years ended 31 December 2016, 2017 and 2018, respectively, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.a8nmg.com):

- the 2016 annual report of the Company for the year ended 31 December 2016 which was published on 18 April 2017 (available on: http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0418/LTN20170418898.pdf), please refer to pages 46 to 130 in particular;

- the 2017 annual report of the Company for the year ended 31 December 2017 which was published on 18 April 2018 (available on: http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0418/LTN20180418922.pdf), please refer to pages 41 to 128 in particular; and

- the 2018 annual report of the Company for the year ended 31 December 2018 which was published on 17 April 2019 (available on: http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0417/LTN20190417761.pdf), please refer to pages 52 to 156 in particular.

2. INDEBTEDNESS STATEMENT

As at the close of business on 15 April 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group's aggregate outstanding bank borrowings amounted to RMB165,730,000, which were secured by an aggregate of the Group's pledged deposits of RMB180,312,000.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 15 April 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In 2019, the Group will continue to create prime intellectual property ("**IP**") and promote the circulation and interaction of IP among different product forms, and further explore the value of customers to meet their needs.

(i) Film & Television Production

In 2019, the Group's film & television business will continually take premium literature IP as the starting point to develop film and television projects.

(ii) Game Business

In 2019, the Group will maintain a stable proportion of self-research projects and customised projects in the follow-up game product planning, in order to ensure a steady increase in income level. Two customised games, namely "Immortal Chat Group" (「修真聊天群」) customised for China Mobile Games and Entertainment Group Limited and "Adventure and Dragon Training" (「冒險與馴龍」) customised for Unicorn Games, and one self-research game "Colossus Knights" (「巨像騎士團」) are all expected to get on line in 2019.

(iii) Cultural Industry Park – National Music Industry Park – A8 Music Building

In 2019, the Group will continue to enhance the property management level and provide better service for clients, in order to receive consistent and stable income. At the same time, the Company will be dedicated itself to moving forward the development of A8Live towards its branding and content making. The Group will continue to expand performance business and reinforce branding promotion and industrial influence.

(iv) Online Literatures – Beijing Zhangwen

In 2019, while continuing to consolidate its dominance in the suspense themes, 北京掌文信息技術有限公司 (Beijing Zhangwen Technology Co., Ltd*) ("**Beijing Zhangwen**"), an associate of the Company, will enhance the research and development of the new themes and contents. Meanwhile, Beijing Zhangwen will also vigorously develop distribution of online literature business and the comic distribution platform. Through the multi-way development of suspense-style literatures, it can fully utilise the advantage of the traffic from the existing literature platform, Heiyan.com.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares and underlying Shares

Name of Director	Nature of interest	Ordinary Shares	Underlying Shares (under equity derivatives of the Company) *(Note 3)*	Approximate percentage of shareholding *(Note 1)*
Mr. Liu Xiaosong (“**Mr. Liu**”)	Founder of trust	1,455,867,398 *(Note 2)*	Nil	53.90%
	Beneficial owner	5,766,000	23,032,600	1.07%
Mr. Lin Qian	Beneficial owner	Nil	5,000,000	0.19%
Mr. Chan Yiu Kwong	Beneficial owner	Nil	1,415,000	0.05%
Ms. Wu Shihong	Beneficial owner	Nil	1,320,000	0.05%
Mr. Li Feng	Beneficial owner	Nil	1,050,000	0.04%

Notes:

(1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 2,700,886,628 Shares) has been used for the calculation of the approximate percentage.

(2) Mr. Liu is the founder of a family trust which is deemed under SFO to be interested in all the Shares held by Ever Novel Holdings Limited (“**Ever Novel**”) and Prime Century Technology Limited (“**Prime**

Century") in the Company. These Shares comprised 379,496,303 Shares and 1,076,371,095 Shares directly held by Prime Century and Ever Novel respectively.

(3) The underlying Shares in which the Directors are interested are in relation to the share options granted by the Company pursuant to its share option scheme.

(b) Long positions in shares of the associated corporations of the Company

Name of associated Corporation	Nature of Director	Nature of Interest	Registered capital/no. of shares held	Approximate percentage of interest
Shenzhen Huadong Feitian Network Development Co., Ltd. ("**Huadong Feitian**") *(Note 1)*	Mr. Liu	Beneficial owner	RMB21,510,000 *(Note 2)*	75.00%
Duomi Music Holding Ltd ("**Duomi Music**") *(Note 3)*	Mr. Liu	Interest of controlled corporation	35,435,640 *(Note 4)*	33.94%
北京多米在綫科技股份有限公司 (Beijing Duomi Online Technology Co., Ltd.*) ("**Beijing Duomi**") *(Note 5)*	Mr. Liu	Beneficial owner	25,383,000 *(Note 6)*	28.71%
Beijing Zhangwen *(Note 7)*	Mr. Liu	Beneficial owner	RMB13,000,000 *(Note 8)*	65.00%

Notes:

1. Huadong Feitian is a limited liability company incorporated in the PRC whose financial results are, through a number of structure contracts, consolidated into the financial statements of the Company and therefore Huadong Feitian is an associated corporation of the Company.

2. This represents the amount of registered capital of Huadong Feitian held by Mr. Liu.

3. Duomi Music is a company incorporated in the Cayman Islands with limited liability. As at the Latest Practicable Date, the Company was interested in approximately 48.13% of the issued share capital of Duomi Music through its wholly-owned subsidiary, Phoenix Success Limited, and therefore Duomi Music is an associated corporation of the Company. Mr. Liu, through his wholly-owned company, Fortune Light Investments Limited, held approximately 33.94% of the issued share capital of Duomi Music.

4. This represents the number of shares of Duomi Music held by Mr. Liu.

5. Beijing Duomi is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, the Company was interested in approximately 22.51% of the registered capital of Beijing Duomi through its wholly-owned subsidiary, Kuaitonglian, and therefore Beijing Duomi is an associated corporation of the Company.

6. This represents the number of shares of Beijing Duomi held by Mr. Liu.

7. Beijing Zhangwen is a limited liability company incorporated in the PRC. As at the Latest Practicable Date, the Company was interested in 35% of the registered capital of Beijing Zhangwen through its wholly-owned subsidiary, Yunhai Qingtian, and therefore Beijing Zhangwen is an associated corporation of the Company. Mr. Liu, through a holding company which he was interested in 90% of the shares, 深圳市浩祥投資有限公司 (Shenzhen Haoxiang Investment Co., Ltd), was interested in 65% of the shares of Beijing Zhangwen.

8. This represents the amount of registered capital of Beijing Zhangwen held by Mr. Liu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

(c) Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholder	**Nature of interest**	**Long positions in the Shares**	**Approximate percentage of shareholding** *(Note 1)*
HSBC International Trustee Limited ("**HSBC International**")	Trustee (other than a bare trustee)	1,543,747,398 *(Note 2)*	57.16%
River Road Investment Limited ("**River Road**")	Interest of controlled corporation	1,455,867,398 *(Note 2)*	53.90%
Knight Bridge Holdings Limited ("**Knight Bridge**")	Interest of controlled corporation	1,455,867,398 *(Note 2)*	53.90%

Name of substantial Shareholder	**Nature of interest**	**Long positions in the Shares**	**Approximate percentage of shareholding** *(Note 1)*
Ever Novel	Interest of controlled Corporation	379,496,303 *(Note 3)*	14.05%
	Beneficial owner	1,076,371,095 *(Note 3)*	39.85%
Prime Century	Beneficial owner	379,496,303 *(Note 3)*	14.05%

Notes:

(1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 2,700,886,628 Shares) has been used for the calculation of the approximate percentage.

(2) HSBC International is the trustee of family trusts of Mr. Liu, which, through intermediate holding companies (including but not exclusively River Road, Knight Bridge, Ever Novel and Prime Century), exercise or control the exercise of one third or more voting power at the general meetings of such companies and is deemed under the SFO to be interested in the shares of the Company held by such companies (i.e. 1,543,747,398 Shares in total).

(3) As at the Latest Practicable Date, Prime Century directly held 379,496,303 Shares and Ever Novel directly held 1,076,371,095 Shares. Ever Novel was entitled to exercise or control the exercise of one third or more of the voting power at the general meetings of Prime Century and was deemed to be interested in the 379,496,303 Shares in the Company held directly by Prime Century.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, save for Mr. Liu who is a director of Ever Novel, Prime Century and Knight Bridge, none of the Directors is a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

(a) none of the Directors were materially interested, directly or indirectly, in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and

(b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL CONTRACTS

The following are contracts entered into by the members of the Group within two years immediately preceding the date of this circular and which is or may be material:

(a) the capital increase agreement dated 17 October 2017 entered into by and among Yunhai Qingtian, the Target, the Founders, 陳剛 (Mr. Chen Gang) ("**Mr. Chen**"), 邵靜 (Ms. Shao Jing) ("**Ms. Shao**"), 浙江湖州海納網絡科技有限公司 (Zhejiang Huzhou Haina Network Technology Co., Ltd.*) ("**Zhejiang Huzhou**") and seven other Independent Third Parties in relation to the 2017 Capital Contribution, further details of which are set out in the 2017 Announcement;

(b) the 2017 Capital Increase Supplemental Agreement dated 17 October 2017 entered into by and among Yunhai Qingtian, the Target, the Founders, Mr. Chen, Ms. Shao, Zhejiang Huzhou and seven other Independent Third Parties in relation to the 2017 Capital Contribution, further details of which are set out in the 2017 Announcement;

(c) the equity transfer agreement dated 18 December 2017 entered into by and among Yunhai Qingtian, Mr. Chen and the Founders in relation to the sale and purchase of 1.9% equity interest in the Target as part of the 2017 Acquisitions at a consideration of RMB10,260,000 in cash, further details of which are set out in the 2017 Announcement;

(d) the equity transfer agreement dated 18 December 2017 entered into by and among Yunhai Qingtian, Ms. Shao and the Founders in relation to the sale and purchase of 1.71% equity interest in the Target as part of the 2017 Acquisitions at a consideration of RMB9,234,000 in cash, further details of which are set out in the 2017 Announcement;

(e) the equity transfer agreement dated 18 December 2017 entered into by and among Yunhai Qingtian, Zhejiang Huzhou and the Founders in relation to the sale and purchase of 1.39% equity interest in the Target as part of the 2017 Acquisitions at a consideration of RMB7,506,000 in cash, further details of which are set out in the 2017 Announcement;

(f) the 2017 Equity Transfer Supplemental Agreement dated 18 December 2017 entered into by and among Yunhai Qingtian, the Founders and the Target in relation to the 2017 Acquisitions, further details of which are set out in the 2017 Announcement;

(g) the investment agreement dated 12 February 2018 entered into by and among Yunhai Qingtian, 林芝騰訊科技有限公司 (Linzhi Tencent Technology Co., Ltd.*) ("**Linzhi Tencent**"), A8 Music Group Limited (a wholly-owned subsidiary of the Company), 天津木巴企業管理諮詢中心（有限合夥）(Tianjin Muba Business Management Consulting Center (Limited Partnership)*) ("**Tianjin Muba**"), 天津木詩企業管理諮詢中心（有限合夥）(Tianjin Mushi Business Management Consulting Center (Limited Partnership)*), 天津木久企業管理諮詢中心（有限合夥）(Tianjin Mujiu Business Management Consulting Center (Limited Partnership)*), 北京天晟成業信息技術有限公司 (Beijing Tiancheng Chengye Information Technology Co., Ltd.*), 心動網絡股份有限公司 (Xindong Network Limited*), 陸家賢 (Mr. Lu Jiaxian), 香港木七七網絡科技有限公司 (Mu77 Network Technology Hongkong Limited) ("**MU77HK**") and 上海木七七網絡科技有限公司 (Shanghai Mu77 Network Technology Co., Ltd.) ("**MU77SH**"), in relation to the acquisition of an aggregate of 51% equity interest in MU77SH at an aggregate consideration of RMB59,557,500 in cash by Yunhai Qingtian, further details of which are set out in the announcement of the Company dated 12 February 2018;

(h) the shareholders' agreement dated 12 February 2018 entered into by and among Yunhai Qingtian, Linzhi Tencent, MU77SH, MU77HK, 陸家賢 (Mr. Lu Jiaxian) and Tianjin Muba in relation to the operation and management of MU77SH and the rights and obligations of the shareholders of MU77SH, further details of which are set out in the announcement of the Company dated 12 February 2018;

(i) the equity transfer agreement dated 13 March 2018 entered into by and among Yunhai Qingtian, 上海清科嶺協投資管理合夥企業（有限合夥）(Shanghai Qingke Lingxie Investment Management Partnership Enterprise (Limited Partnership)*) and the Founders in relation to the sale and purchase of 10.17% equity interest in the Target as part of the 2018 Acquisitions at a consideration of RMB54,918,000 in cash, further details of which are set out in the 2018 March Announcement;

(j) the equity transfer agreement dated 13 March 2018 entered into by and among Yunhai Qingtian, 趙紅豔 (Ms. Zhao Hongyan) and the Founders in relation to the sale and purchase of 1.71% equity interest in the Target as part of the 2018 Acquisitions at a consideration of RMB9,234,000 in cash, further details of which are set out in the 2018 March Announcement;

(k) the equity transfer agreement dated 13 March 2018 entered into by and among Yunhai Qingtian, 杭州賢二投資管理合夥企業（有限合夥）(Hangzhou Yinyi Investment Management Partnership Enterprise (Limited Partnership)*) and the Founders in relation to the sale and purchase of 0.95% equity interest in the Target as part of the 2018 Acquisitions at a consideration of RMB5,130,000 in cash, further details of which are set out in the 2018 March Announcement;

(l) the equity transfer agreement dated 13 March 2018 entered into by and among Yunhai Qingtian, Zhejiang Huzhou and the Founders in relation to the sale and purchase of 0.73% equity interest in the Target as part of the 2018 Acquisitions at a consideration of RMB3,942,000 in cash, further details of which are set out in the 2018 March Announcement;

(m) the financial results compensation implementation agreement dated 4 July 2018 entered into by and among Yunhai Qingtian, the Target and the Founders in relation to the 2017 Equity Compensation, further details of which are set out in the 2018 September Announcement;

(n) the 2018 Equity Transfer Supplemental Agreement dated 13 March 2018, entered into by and among Yunhai Qingtian, the Founders and the Target in relation to the 2018 Acquisitions, further details of which are set out in the 2018 March Announcement;

(o) a series of variable interest entity agreements dated 28 December 2018, comprising (i) the exclusive business cooperation agreement; (ii) the equity pledge agreement; (iii) the exclusive call option agreement; (iv) the powers of attorney; and (v) the spouse consent letters, entered into by and among the relevant parties (i.e. MU77SH, 蘊清網絡科技(上海)有限公司 (Yun Qing Network Technology (Shanghai) Co., Ltd.*) ("**WFOE**"), Yunhai Qingtian, Tianjin Muba, Linzhi Tencent and/or the spouses of the partners of Tianjin Muba), pursuant to which the WFOE has effective control over the finance and operation of MU77SH and enjoys the entire economic interests and benefits generated by MU77SH, further details of which are set out in the announcement of the Company dated 28 December 2018; and

(p) the Exercise Notice dated 25 March 2019 issued by Yunhai Qingtian to the Founders pursuant to which the Group requested the Founders to compensate the Group with the Cash Compensation and to purchase all of the equity interests in the Target as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. MISCELLANEOUS INFORMATION

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

(b) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The Company's principal place of business in Hong Kong is situated at Suites 06-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Ho Wing Yan. Ms. Ho Wing Yan is an associate member of The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by HKICS.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Suites 06-12, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 20 June 2019:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three financial years ended 31 December 2016, 2017 and 2018;

(c) the material contracts referred to in the section headed "Material contracts" in this appendix; and

(d) this circular.

10. GENERAL

The English text of this circular shall prevail over its Chinese text in case of inconsistencies.