鳳凰衛視

PHOENIX MEDIA INVESTMENT (HOLDINGS) LIMITED

鳳凰衛視投資 (控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02008)

DISCLOSEABLE TRANSACTION
DISPOSAL OF INTEREST IN
BEIJING YITIAN XINDONG NETWORK TECHNOLOGY CO., LTD

THE DISPOSAL

On 18 May 2020, the Vendor entered into the Share Purchase Agreement, the Novation Agreement I and the Novation Agreement II, pursuant to which the Vendor agreed to sell the Sale Shares and the Purchaser agreed to purchase the Sale Shares at the Consideration and subject to and upon the principal terms under the Agreements as summarized in this announcement.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal and the transaction contemplated under the Agreements exceed 5% but less than 25%, the Disposal and transaction contemplated under Agreements constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are subject to the announcement requirement thereunder.

INTRODUCTION

On 18 May 2020, the Vendor entered into the Share Purchase Agreement, the Novation Agreement I and the Novation Agreement II (together, the "**Agreements**"), pursuant to which the Vendor agreed to sell the Sale Shares and the Purchaser agreed to purchase the Sale Shares at the Consideration and subject to and upon the principal terms under the Agreements as summarized in this announcement.

THE SHARE PURCHASE AGREEMENT

Date
18 May 2020

Parties

Vendor	:	Beijing Chenhuan Technology Co., Ltd.*, an indirect non-wholly owned subsidiary of the Company;
Target Company	:	Beijing Yitian Xindong Network Technology Co., Ltd.*; and
Purchaser	:	Shenzhen Shenghuayu Energy Conservation Service Co., Ltd*.

The Purchaser is a company with limited liability established in the PRC, with principal business in design of energy saving engineering project, sale of energy saving products, investment consultation, information consultation and other services.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an independent third party.

Subject Matter and Consideration

Pursuant to the Share Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares, representing 51% of the equity interest in the Target Company, at a consideration of RMB313,600,000 (equivalent to approximately HK$344,960,000).

Payment Terms

The Purchaser shall pay the full amount of the Consideration to the bank account designated by the Vendor upon signing of the Share Purchase Agreement.

Completion

Completion shall take place upon the Vendor's receipt of full amount of the Consideration (the "**Completion**"). As at the date of this announcement, the Vendor has received the full amount of the Consideration and Completion has taken place.

Undertakings

The Target Company shall not and shall procure its affiliates not to bring any claim, arbitration, damage recovery, action, demand or legal proceeding against the Vendor or its affiliates (including the directors, managers and legal representatives of the Target Company appointed by the Vendor) due to any matters before Completion. In the event of any such claim, suits, arbitration, recovery of damage, action or legal proceeding, the Target Company shall and shall cause its affiliates to immediately and unconditionally terminate it.

Arrangement after Completion

Within a month after the Completion, the Target Company shall register the transfer of Sale Shares at the market supervising authority with jurisdiction over the Target Company. The Vendor and the Purchaser shall provide necessary assistance to the aforementioned registration. After the Completion, the Vendor shall hand over the documents and articles of the Target Company listed on the handover list subject to all parties' negotiation to the Target Company.

After Completion, the Target Company and the Purchaser shall cooperate with the Vendor and its affiliates and their respective consultants to audit the financial statements, operating performance, cash flow and other financial or operating data of the Target Company for the purpose of preparing consolidated financial statements for the Vendor's affiliates, including but not limited to grant the Vendor, its affiliates and their respective consultants access to the account books and records of the Target Company as well as personnel and consultants related to aforementioned information. The Target Company and the Purchaser shall also provide other information reasonably required by the Vendor from time to time.

After Completion, the Target Company will cease to be a subsidiary of the Company.

NOVATION AGREEMENT I

Date
18 May 2020

Parties
(1) The Vendor
(2) Tianyin

Major Terms

Tianyin confirms that funds in the joint account shall be distributed in accordance with the Novation Agreement I.

All parties of the Novation Agreement I agree that all rights and obligations of the Vendor under the Original Agreements shall be novated to the Purchaser once the Completion takes place. Thereafter, all rights and obligations of the Vendor under the Original Agreements and other agreements related to Target Company's performance guarantee and compensation mechanism shall terminate. Tianyin shall no longer bear any obligation to the Vendor under the Original Agreements.

Given the above-mentioned purposes, the guarantee No. GC1783919001966, GC1783919001967 and GC1783919000485 issued by Shenzhen Branch of Bank of China Co., Ltd. (the "**Guarantees**") shall be invalidated immediately after the Purchaser paid the full amount of the Consideration. The Vendor shall deliver the originals of Guarantees and executed Release Letters to Tianyin upon receipt of the full amount of the Consideration. In addition, the Vendor shall take all reasonable efforts to cooperate with Tianyin to terminate the above-mentioned rights of the Vendor.

Tianyin shall agree to abide by the Share Purchase Agreement and other agreements under the Share Purchase Agreement. Tianyin shall also agree to waive its preemptive right for the Sale Shares, regardless of whether the right is obtained under laws, the articles of association of the Target Company or any other reason.

NOVATION AGREEMENT II

Date
18 May 2020

Parties
(1) The Vendor
(2) The Purchaser
(3) Target Company
(4) Management Team

Major Terms

All parties of the Novation Agreement II agree that the Vendor and Management Team shall jointly instruct the bank of the joint account to remit the principal of joint account, being RMB16,700,000 (equivalent to HK$18,370,000), to the account designated by the Purchaser and the remaining interest to the account designated by the Vendor once the Completion takes place.

All parties of the Novation Agreement II agree that all rights and obligations of the Vendor under the Original Agreements shall be novated to the Purchaser once the Completion takes place. Thereafter, all rights and obligations of the Vendor under the Original Agreements and other agreements related to Target Company's performance guarantee and compensation mechanism shall terminate. Tianyin shall no longer bear any obligation to the Vendor under the Original Agreements.

INFORMATION ON THE TARGET COMPANY AND TIANYIN

The Target Company

The Target Company is incorporated in the PRC with limited liability and having a registered capital of RMB45,000,000. It is principally engaged in online literature business, online information services, provision of online music and entertainment products, game products, animation products, exhibition and competition activities for online cultural products and electronic bulletin services operation. It owns and operates Tadu, a mobile application and online literature platform in the PRC.

Set out below is the unaudited financial information of the Target Company:

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue	147,450	203,968
Profit/(Loss) before tax	(29,196)	2,461
Profit/(Loss) after tax	(29,196)	2,461
Net Asset Value	64,905	107,792

Tianyin

Tianyin is a limited liability company incorporated in the PRC. It is principally engaged in the purchase and sale and the provision of technical services of telecommunication products, domestic trading and import and export business, etc.

BASIS OF THE CONSIDERATION

The Consideration was determined based on normal commercial terms and after arm's length negotiation between the parties with reference to the PNM management's estimated value of the Sale Shares plus recoverable compensation under Original Agreements.

The Target Company's value is estimated based on the value derived from the goodwill impairment test performed for the fiscal year ended 31 December 2019, adjusted with the negative impact on the Target Company by both the COVID-19 outbreak in 2020 and the disagreements between Tianyin and PNM.

Recoverable compensation is presently valuated at approximately RMB98,470,000 (equivalent to approximately HK$108,317,000), with the probability of successfully collecting the guaranteed compensation of RMB170,000,000 (equivalent to approximately HK$187,000,000) under the Original Agreements estimated to be 60% in view of the disagreements between Tianyin and PNM as to the performance of the Target Company.

REASONS FOR THE DISPOSAL AND TRANSACTIONS CONTEMPLATED THEREUNDER

The competition landscape of the online reading market has changed substantially since the beginning of 2019. “Free read” model gradually dominated the market and has a huge impact on “paid read” model of the Tadu. “Free read” model highly relies on cash inputs as it requires a high volume of financial investments to attract users, which is not in line with the overall strategic plan of PNM, nor with its initial expectations on investing the Target Company. Considering the overall performance of the Target Company, PNM is not optimistic on the future prospect of the Target Company adopting the “occupying the market by high investment cost” strategy. In addition, PNM considers that there is an imminent need to preserve its cash flow given the current economic situation.

At present, there are disagreements between Tianyin and PNM regarding the performance target undertakings under the Original Agreements. Disputes among shareholders of the Target Company have caused turbulence in the management team of Tadu, which may further affect the Target Company’s performance. PNM therefore regards the Disposal as a good opportunity to exit and avoid potential litigation. Moreover, the Consideration represents an 8.9% premium of the investment amount under the Original Acquisition, which is a fair and reasonable price under market standards.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreements were determined after arm’s length negotiation, and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries as of the date of this announcement, none of the Directors has any material interests in the Agreements and the transactions contemplated thereunder or shall abstain from voting in respect of the relevant resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Disposal and the transaction contemplated under the Agreements exceed 5% but less than 25%, the Disposal and transaction contemplated under Agreements constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are subject to the announcement requirement thereunder.

As all total assets, profits and revenue of the Target Company as compared to the Group’s are less than 10% under the percentage ratios for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017, the Target Company is an insignificant subsidiary of the Company. Tianyin as a substantial shareholder of the Target Company is therefore not a connected person of the Company under the Listing Rules.

INFORMATION OF THE GROUP

The Group is a satellite television operator and, through its subsidiaries, is a leading satellite television operator broadcasting in the PRC as well as worldwide. Apart from satellite television broadcasting, the Group now has a diversified business portfolio covering internet media, outdoor media, animated comics, games, digital technologies, creative cultural, cloud technology services, education, exhibitions and other fields.

PNM and the Vendor are non-wholly owned subsidiaries of the Group engaging in the internet media businesses primarily in the PRC.

INTENDED USE OF PROCEEDS FROM THE DISPOSAL

The estimated net proceeds derived from the Disposal will be held in cash, deposits or short-term investments, subject to the ongoing assessment of PNM's business development and funding requirements from time to time for future allocation of all or part of the proceeds to various potential uses, including but not limited to enhancing the operational capability of PNM's existing business and/or financing possible investment(s), if any.

DEFINITIONS

In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:

"Board"	the board of directors of the Company
"Company"	Phoenix Media Investment (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Consideration"	the consideration for the sale and purchase of the Sale Shares payable by the Purchaser to the Vendor under the Share Purchase Agreement, Novation Agreement I and Novation Agreement II, comprising of RMB313,600,000
"Directors"	the directors of the Company
"Disposal"	the disposal by the Vendor of the Sale Shares to the Purchaser pursuant to the terms and conditions of the Share Purchase Agreement, Novation Agreement I and Novation Agreement II
"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 Parties"	third parties independent of the Company and its connected person defined under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Team"	Management team of the Target Company

"Novation Agreement I"	the novation agreement entered between the Vendor and Tianyin regarding transfer of the Vendor's rights to performance target undertakings in the Original Acquisition
"Novation Agreement II"	the novation agreement entered between the Vendor, the Purchaser, the Target Company and Management Team regarding transfer of the Vendor's rights to performance target undertakings in the Original Acquisition to the Purchaser
"Original Acquisition"	the acquisition of Target Company's equity interests by the Vendor as disclosed in the announcements of the Company dated 1 March 2019, 16 April 2019 and 17 April 2019
"Original Agreements"	the agreements entered by the Vendor regarding the Original Acquisition as disclosed in the announcements of the Company dated 1 March 2019, 16 April 2019 and 17 April 2019
"PNM"	Phoenix New Media Limited, a company incorporated in the Cayman Islands with limited liability, an indirect non-wholly-owned subsidiary of the Company whose shares are listed by way of American depositary shares on the New York Stock Exchange in the United States
"PRC"	People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China, and Taiwan
"Purchaser"	Shenzhen Shenghuayu Energy Conservation Service Co., Ltd * (深圳市晟华宇节能服务有限公司), a limited liability company established in the PRC
"Release Letters"	Release letters issued by the Vendor that invalidate the Guarantees
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	51% of equity interest in the Target Company
"Share Purchase Agreement"	the share purchase agreement entered into between the Vendor, the Target Company and the Purchaser regarding the Disposal dated 18 May 2020
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Beijing Yitian Xindong Network Technology Co., Ltd.* (北京易天新动网络科技有限公司), a limited liability company established in the PRC
"Tianyin"	Tianyin Telecommunication Co. Ltd.* (天音通信有限公司), a company incorporated in the PRC with limited liability and a shareholder of 49% equity interest in the Target Company as at the date of this announcement
"Vendor"	Beijing Chenhuan Technology Co., Ltd.* (北京尘寰科技有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company

“%”	per cent

* For identification purpose only

For the purpose of this announcement, the exchange rate of RMB1 to HK$1.1 has been adopted. No representation is made as to whether any amount in RMB or HK$ can or could have been converted at the relevant dates at the above rates or any other rates at all.

By Order of the Board
Phoenix Media Investment (Holdings) Limited
LIU Changle
Chairman

Hong Kong, 18 May 2020
As at the date of this announcement, the Board comprises:

Executive Directors
Mr. LIU Changle (Chairman)(also an alternate director to Mr. CHUI Keung), Mr. CHUI Keung (also an alternate director to Mr. LIU Changle) and Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)

Non-executive Directors
Mr. JIAN Qin, Mr. ZHANG Dong, Mr. HUANG Tao and Mr. SUN Qiang Chang

Independent Non-executive Directors
Mr. LEUNG Hok Lim, Mr. Thaddeus Thomas BECZAK, Mr. FANG Fenglei and Mr. HE Di

In the case of any inconsistency between the Chinese version and the English version of this notice, the English version shall prevail.