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

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)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTION
ACQUISITION OF INTEREST IN
BEIJING YITIAN XINDONG NETWORK TECHNOLOGY CO., LTD.

Reference is made to the announcement of the Company dated 1 March 2019 (the "**1st Announcement**") in relation to the Acquisitions. The Company would like to supplement further information of the Acquisitions in this announcement.

PEFFORMANCE TARGETS AND THE BASES

Vendor I, as the existing shareholder of Target Company and vendor, provided the Performance Target Undertakings to the Purchaser under the SPAs. Details of the Performance Targets are as follows:

(i) *Daily active users targets*: Daily active users for all program or software applications managed by the Target Company (including but not limited to 塔讀文學 APP，鄉村小說 APP，蜜桃小說 APP) shall not be less than:

	Target (million)	
(Average in)	2019	2020
December	1.12	1.4
Yearly	0.9	1.08

The targets are set based on the historical figures and business development of the Target Company with an expected yearly growth rate of about 5% for 2019 and 20% for 2020.

(ii) *Exclusive network broadcasting rights targets*: The number of original titles that the Target Company obtains from company and natural person authors for the exclusive network broadcasting rights shall not be less than:

	Target	
	2019	2020
Number of titles	5,315	5,950

The targets are set based on the historical figures and business development of the Target Company with an expected yearly growth rate of 6% for 2019 and 12% for 2020.

(iii) *Revenue targets*: The audited revenue of the Target Company shall not be less than:

	Target (RMB)		Historical (RMB) (unaudited)	
	2019	2020	2017	2018*
Revenue	180,008,000	235,000,000	105,835,000	131,653,000

*for the 11 months ended 30 November 2018

The targets are set based on the historical figures and business development of the Target Company, with an expected yearly growth rate of 22% for 2019 and 31% for 2020. The yearly growth rate for other companies in the same industry, with an average of about 14%, has also been taken into consideration.

(iv) *Net profit targets*: The audited net profit of the Target Company shall not be less than:

	Target (RMB)		Historical (RMB) (unaudited)	
	2019	2020	2017	2018*
Net profit	12,350,400	17,753,000	560,000	(10,936)

*for the 11 months ended 30 November 2018

This target is set based on the historical figures and business development of the Target Company, with an expected net profit margin of about 6.9% for 2019 and 7.6% for 2020. The net profit margin for other companies in the same industry, with an average of about 7.5%, has also been taken into consideration.

To conclude, the Target Company is an internet company focusing on the aggregation, creation and trade platform of online literature. Its core strategy is to step up efforts in the copyright market development and hence broadening the user quantity. PNM considers both the daily active users targets and the exclusive network broadcasting rights targets as the operating performance assessment for the Target Company and anticipates yearly growth in those aspects. PNM also considers the revenue targets and the net profit targets as the financial performance assessment for the Target Company and anticipates yearly growth in those aspects as well. The Performance Targets are chosen and set with proportional increments based on the historical business development of the Target Company, with an expectation not less than the performance of other companies in the same industry and the anticipation of the Company in relation to the valuation supported by the Performance Targets.

IF PERFORMANCE TARGETS ARE NOT ACHIEVED

If the Target Company fails to meet any of its Performance Targets in 2019 or 2020, then:

(a) the Target Company shall be revaluated at RMB230,400,000 and the total consideration of the Initial Sale Shares and the Present Sale Shares shall respectively be adjusted from RMB144,100,000 to RMB58,800,000; and

(b) the Purchaser shall have the right to recover the price difference or compensation of RMB85.3million respectively under the SP and Option Agreement and the Share Purchase Agreement in the following manner:

   i. under the SP and Option Agreement:
      1. demand Vendor I to return RMB68.6million, or enforce the Bank Guarantee I (RMB54.4million) and Bank Guarantee III (RMB14.2million); and
      2. forfeit the Security Fund (RMB16,700,000).

   ii. under the Share Purchase Agreement:
      1. demand Vendor II to return RMB85.3million, or
      2. forfeit the Security Deposit II (RMB85.3million) or enforce the Bank Guarantee II (RMB85.3million), as the case may be.

The Company considers through the above security arrangement either by way of bank guarantees or deposits, it would be able to recover the compensation from Vendor I and Vendor II should the Performance Targets could not be met, in accordance with the terms and conditions of the SPAs.

BASES TO DETERMINE THE VALUATION AND THE ADJUSTED VALUATION

The Target Company is presently valuated at RMB565,000,000. This was estimated based on the estimated revenue of the Target Company in 2018, i.e. RMB147,000,000, multiplied by the price to sales ratio ("**P/S ratio**") of 3.8. Given the distinct features of internet companies, i.e. fast growing but relatively unpredictable in terms of growth in revenue, P/S ratios are commonly used for evaluation of such companies and the P/S ratio of 3.8 was reached upon arm's length commercial negotiations with counterparties. Reference is made to the P/S ratio applied for the valuation of other companies in the same industry (including China Literature Limited (閱文集團) and Ireader Technology Co. Ltd. (掌閱科技股份有限公司)) forming a fair basis for comparison, i.e. platform companies focusing on the creation, aggregation and distribution of mainstream online literature with paid reading being their main profit model and with their group companies listed on the stock exchanges. China Literature Limited, which is listed on the Stock Exchange, recorded a revenue of RMB4.1billion for 2017 and a market capitalisation of RMB41 billion in December 2018 translating into a P/S ratio of about 10. Ireader Technology Co. Ltd., which is listed on the Shanghai Stock Exchange, recorded a revenue of RMB1.7 billion for 2017 and a market capitalisation of RMB7.9 billion in December 2018 translating into a P/S ratio of about 4.7. Also taking into account the difference in the scale of operation and business between the Target Company and the comparable companies and the fact that the Target Company is a private company as opposed to the comparable companies as listed companies and more prominent market leaders, the P/S ratio of the Target Company is assessed at 3.8, which is about 38% of that of China Literature Limited and 82% of that of Ireader Technology Co. Ltd. As such, the Company considers the P/S ratios of the Target Company and in turn the consideration of the Acquisitions, fair and reasonable.

The present valuation of the Target Company and in turn the consideration for the Initial Sale Shares and the Present Sale Shares were determined based on the estimated revenue of the Target

Company. The latter is subject to a price adjustment mechanism based on the Performance Targets as aforesaid. If the revenue targets of either 2019 or 2020 cannot be met, the P/S ratio will decrease to 1.6 based on the estimated revenue of the Target Company in 2018 of RMB147,000,000, hence the valuation will be adjusted to RMB230,400,000 accordingly. The adjustment will be a flat adjustment disregarding the extent of the shortfall. The Company has consolidated the financials of the Target Company and believes the present adjustment mechanism coupled with the security arrangement achieved after arm's length commercial negotiations with the counterparties, instead of adopting a progressive adjustment mechanism, will maximise the benefits to the Company. In case the Target Company fails to meet any of the Performance Targets in 2019 or 2020, the Group considers its investment of RMB117.6 million (approximately HK$136.6 million) in the Target Company, as adjusted, is still commercially beneficial to the Group based on PNM's assessment of the value of the Target Company in line with industry practice using the level of daily active users and contents already achieved by the Target Company.

As set out above, the Company considers the arrangement in relation to the Performance Target Undertakings, all set based on reasonable assumptions, expectations and market references, together with the consideration adjustment mechanism coupled with the security arrangement maximising the benefits to the Group, are fair and reasonable and in the interests of the Company and its shareholders.

DEFINITIONS

Capitalized terms used therein shall have the same meanings as those defined in the 1st Announcement unless otherwise stated below:

"Acquisitions"	collectively the Initial Acquisition and the Present Acquisition
"Bank Guarantee I"	a bank guarantee provided by Vendor I to the Purchaser in the value of RMB54,400,000 in the form and manner specified in the SP and Option Agreement for securing Vendor I's payment obligations under the Performance Targets Undertaking.
"Bank Guarantee II"	a bank guarantee provided by Vendor I to the Purchaser in the value of RMB85,300,000 in the form and manner specified in the Share Purchase Agreement for securing Vendor I's payment obligations under the Performance Targets Undertaking; and to substitute Security Deposit II in accordance with the terms of the Share Purchase Agreement.
"Bank Guarantee III"	a bank guarantee provided by Vendor I to the Purchaser in the value of RMB14,200,000 in the form and manner specified in the SP and Option Agreement for securing Vendor I's payment obligations under the Performance Targets Undertaking; and to substitute Security Deposit I.
"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
"Directors"	the directors of the Company
"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
"Initial Sale Shares"	25.5% equity interest in the Target Company acquired by the Purchaser from Vendor I under the SP and Option Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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
"Present Acquisition"	the acquisition of the Present Sale Shares by the Purchaser from Vendor II pursuant to the Share Purchase Agreement
"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
"Present Sale Shares"	25.5% equity interest in the Target Company acquired by Vendor II from Vendor I under the SP and Option Agreement, and the subject matter to be acquired by the Purchaser from Vendor II under the Share Purchase Agreement
"Purchaser"	Beijing Chenhuan Technology Co., Ltd.* (北京尘寰科技有限公司), a company incorporated in the PRC with limited liability, an indirect wholly owned subsidiary of PNM and an indirect non-wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC

"Share Purchase Agreement"	the share transfer agreement dated 1 March 2019 entered into between the Purchaser, Vendor I, the Target Company and Vendor II in relation to exercise of the Call Option by the Purchaser and the purchase of the Present Sale Shares by the Purchaser from Vendor II
"Shareholder(s)"	holder(s) of the share(s) of the Company
"SPAs"	collectively the SP and Option Agreement and the Share Purchase Agreement
"SP and Option Agreement"	the equity purchase and call option agreement dated 18 December 2018 entered between Vendor I, the Purchaser and Vendor II in relation to the Initial Acquisition and the Call Option, as supplemented by a supplemental agreement dated 27 December 2018
"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
"Vendor I"	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 II"	Bingruixin Technology Co., Ltd.* (深圳市秉瑞信科技有限公司), a company incorporated in the PRC with limited liability
"%"	per cent

* For identification purpose only

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

Hong Kong, 16 April 2019

As at the date of this announcement, the board of directors of the Company 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. XIA Bing, Mr. GONG Jianzhong and Mr. SUN Yanjun

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

Alternate Director
Mr. LAU Wai Kei, Ricky (an alternate director to Mr. SUN Yanjun