



ASX Release

2 October 2018

Animoca Brands signs Earn-In Agreement for majority stake in leading AI accelerator

Highlights:

- Animoca Brands entered into an Earn-In Agreement to acquire a majority stake in Venture Classic Limited, the operational company of Zeroth SPC
- Total consideration is A\$1.5 million, comprised of A\$1m cash contribution earn-in, and A\$0.5m in Animoca Brands shares
- The A\$1 million cash contribution will go directly into Zeroth's operational company as an earn-in, which is expected to cover two years of operating costs
- Upon completion of this transaction, Animoca Brands will hold 67% of the equity ownership in Venture Classic
- Zeroth is Asia's first artificial intelligence ("AI") accelerator, having accelerated 33 startups, and also has investments in eight blockchain-related companies
- Venture Classic is revenue-generating, and has collected about A\$0.46 million in management fees in the first half of 2018; it is entitled to 30% carried interest from any capital gains realized from Zeroth's portfolio
- Animoca Brands is already an investor in Zeroth SPC (see ASX announcement of 18 December 2017)
- The Company's fitness & AI subsidiary OliveX is a graduate of the Zeroth acceleration programme, and subsequently received a A\$0.77m government grant
- Animoca Brands will leverage its partners to underwrite up to US\$2 million in cash contribution to Zeroth SPC, which will grant entitlement to claims on proceeds from the startups accelerated by Zeroth
- The strategic investment in Zeroth's operational company will increase Animoca Brands' access and equity exposure to industry-leading AI and blockchain startups and their talent and technology
- Sun Hung Kai & Co Limited, a shareholder of the Company, entered into an MOU to develop a deeper strategic partnership with Zeroth SPC, which may include direct investments and further potential investment into either Zeroth SPC or its segregated portfolios

Overview

Animoca Brands Corporation Limited (ASX:AB1, the "**Company**") is pleased to announce that it has entered, through its wholly owned subsidiary Animoca Brands Limited, into an Earn-In Agreement (the "Agreement") with Zeroth founder Tak Chun Lo to acquire a majority stake in Venture Classic Limited ("Venture Classic"), the operational company for the artificial intelligence accelerator Zeroth SPC (both companies together: "Zeroth"). Total consideration for the transaction is approximately A\$1.5 million, consisting of A\$1 million in cash earn-in and A\$0.5 million in Animoca Brands shares. The number of shares to be issued will be calculated as AU\$500,000 divided by a deemed issue price of \$0.11 each. The Company intends to issue

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the shares utilising its existing placement capacity under ASX Listing Rule 7.1. The shares are expected to be issued within 30 days of completion. Upon completion of the transaction, Animoca Brands will hold 67% of the equity ownership in Venture Classic.

Additionally, Animoca Brands has committed to leverage its network of business partners in order to underwrite a staged investment into Zeroth SPC totalling up US\$2 million (approximately A\$2.75 million) in cash. This investment will provide participants with Limited Partner status and grant them claims on proceeds from the cohorts of AI and blockchain startups accelerated by Zeroth.

Separately, Sun Hung Kai & Co, a leading investment firm based in Hong Kong, entered into a Memorandum of Understanding to develop a deeper strategic partnership with Zeroth SPC. This partnership may include direct investments and further potential investment into Zeroth SPC or its segregated portfolios. Sun Hung Kai & Co previously invested in Animoca Brands (see ASX release of 15 August 2018).

Zeroth

Zeroth is an accelerator based in Hong Kong focused on artificial intelligence and machine learning. Zeroth was founded by Tak Lo, previously a director at Techstars, the prominent US-based technology accelerator program. Zeroth invests in high-potential start-ups and provides operational, strategic, and networking support to investee companies as they develop their businesses. Separately from its acceleration programme, Zeroth has made a number of investments in blockchain-focused companies.

Zeroth is composed of Zeroth SPC, a Cayman Islands segregated portfolio company, and Venture Classic, a Hong Kong company that acts as the investment manager of Zeroth SPC. Venture Classic is solely responsible for all business and investment decisions related to Zeroth and each of its segregated portfolios. Zeroth SPC pays out 30% to Venture Classic as carried interest from any capital gains realized from its portfolio and distributes the remaining 70% to its Limited Partners. Additionally, Venture Classic collects management fees from its investments; in the first half of 2018, these fees totalled approximately A\$0.46 million. A total of US\$5 million (about A\$6.87 million) has been committed to Zeroth SPC and the Zeroth cohorts.

To date, Zeroth has accelerated three cohorts totalling 33 companies, obtaining an average 6% stake in each, and has made eight investments in companies focused on blockchain technology. Various of these companies went on to raise funding after graduating from the Zeroth acceleration programme, including from prominent venture capital firms Horizons Ventures (invested in Fano Labs, now Accosys), Mizuho Venture Capital (invested in Laboratik), Portag3 Ventures (invested in Planto), KB Investments (invested in Seoul Robotics), and Aeternity Ventures (invested in Utu).

Rationale

The strategic investment in Zeroth's management company will increase Animoca Brands' access and equity exposure to industry-leading AI, blockchain startups and their talent and technology. The transaction will also create significant cross-selling and corporate development opportunities between the Zeroth companies, Animoca Brands, and the Company's various partners.

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FamFit, the spin-off of Animoca Brands that was later rebranded as OliveX, is a graduate of the Zeroth acceleration programme. The AI capabilities gained through the Zeroth program helped OliveX to win a A\$0.77 million Hong Kong government grant to develop an AI exercise app (see ASX announcement of 10 May 2018), and led to OliveX establishing a commercial relationship with leading fitness blockchain company Lympo (see ASX announcement of 25 July 2018). Lympo went on to invest A\$0.5 million in the Company and has committed to lead a future funding round into OliveX (see ASX announcement of 15 August 2018).

Following a previous investment by Animoca Brands into Zeroth SPC (see ASX announcement of 18 December 2017), Zeroth is now co-located at the Company's headquarters in Hong Kong, providing opportunities for operational and technical synergies for the Company, OliveX, Zeroth, and the startups in Zeroth's accelerator programme.

The government of the Hong Kong Special Administrative Region recently announced that it is setting aside about A\$8.78 billion (HK\$ 50 billion) in its fiscal 2018 budget to stimulate development of innovations in the areas of biotechnology, AI, and fintech. The Company expects that this will further increase the appeal of Hong Kong as an international hub for AI and blockchain-related endeavours.

Animoca Brands expects that acquiring a majority stake in Zeroth will extend its capabilities and reputation in product acceleration, especially in the areas of AI and blockchain as well as corporate incubation; increase its visibility and exposure to relevant technologies; and contribute to the Company's strategic development and growth as it advances further in the AI and blockchain ecosystems.

Management commentary

Yat Siu, co-founder and chairman of Animoca Brands, commented: "We were impressed by Zeroth's rise to one of the most influential AI accelerators in Asia as well as a major investor in blockchain. As Animoca Brands continues to expand its AI and blockchain initiatives, Zeroth provides us with an excellent strategic match, invaluable resources, and access to high-potential ventures and technologies."

Tak Lo, the founder of Zeroth, commented: "I am very excited at the chance to work with Animoca Brands to scale up Zeroth. We believe that AI will be the biggest force multiplier for technology companies in the next five years, and our trajectory is rapidly establishing Zeroth as one of the world's most active AI investors. The strategic and managerial skillsets of Animoca Brands will greatly increase Zeroth's operational discipline and development opportunities as we expand efforts in the AI and blockchain industries."

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About Zeroth

Zeroth is the world's first accelerator program backing founders in frontier technologies like artificial intelligence and blockchain. Zeroth invests capital into visionary founders at the pre-seed and seed stage, and partners with them to advance their startups over an acceleration period of three months, utilizing Zeroth's in-house team of experienced entrepreneurs, an extensive network of partners and investors, and a community of other founders who work on the problems that Zeroth companies are solving.

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Zeroth SPC is a segregated portfolio company that maintains a series of segregated portfolios through which it makes early-stage investments in startups. Venture Classic Limited is the operational company of Zeroth SPC. In just over one and a half years, Zeroth has invested and worked with over 41 companies from 15 countries. Zeroth companies have attracted top venture capital investors such as Horizons Ventures, Archetype Ventures, and REAPRA, among others. For more information visit <http://zeroth.ai/>

List of companies accelerated by Zeroth

Botimize, Clickful, Clare.ai, Sero.ai, DT42, Aniwear, Object.ai, Rocco.ai, Impress, Mateverse, Fano Labs (Accosys), Automorph, Dishq, Emotics, Etymo, FamFit (OliveX), Foxy, h30, Laboratik, Marax, Pingpad, Scry, SmartPeep, Volareo, Utu, WeCare, Tru Luv, Scribe Intelligence, Seoul Robotics, Planto, Fasal, MathCognify, Metrix.

Other Zeroth investments

Mainframe, Quadrant Protocol, Perlin Network, DREP Foundation, Libra Credit Network, Ocean protocol, Singularity Net, Raven Protocol.

About Sun Hung Kai & Co. Limited

Sun Hung Kai & Co. Limited (HKG: 86) is an investment firm headquartered in Hong Kong. Since its foundation in 1969, the Group has owned and operated market-leading businesses in financial services. Leveraging on its heritage, experience and network, the Group aims to generate long-term capital growth for its shareholders through a diverse yet complementary portfolio of businesses and investments in multi-asset classes. It is the major shareholder of leading consumer finance firm United Asia Finance, and a substantial shareholder of Everbright Sun Hung Kai. The Group currently has about HK\$40 billion in total assets.

About Animoca Brands

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as The Sandbox, Crazy Kings, and Crazy Defense Heroes as well as products based on popular intellectual properties such as Garfield, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands is the exclusive China distributor of *CryptoKitties*. The Company is based in Hong Kong, Canada, and Finland. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

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