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A8 New Media Group Limited
A8新媒體集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Profit for 2015 of the Group amounted to approximately RMB21.7 million, representing an increase of approximately 124.5% from approximately RMB9.7 million in 2014.
- The profit margin ratio of the Group was approximately 30.8% for 2015, while it was approximately 27.8% as restated for 2014.
- Revenue of the Group for 2015 amounted to approximately RMB148.4 million, representing a decrease of approximately 36.0% from approximately RMB231.9 million as restated for 2014.
- Strong balance sheet with cash and bank balance and highly liquid short term assets of approximately RMB497.1 million and net assets of approximately RMB1.05 billion as of 31 December 2015.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW FOR 2015

According to the information published by China Internet Network Information Center in January 2016, China's mobile internet population had reached 620 million as at December 2015, representing an increase of 63 million as compared with the end of 2014 and had reached 90.1% of the China's internet total population. Along with the increasing mobile screen sizes and user experiences on mobile application, mobile phone has further strengthened its position as the major access channel to Internet. Among the markets which the Group involves, mobile music and mobile games market continued to grow rapidly.

Prime mobile games publishing platform

In 2015, Finger Fun focused on the layout of prime copyrights, strengthened copyrights and games reserves, and continued to devote “Finger Fun” as a prime mobile games publishing platform following the continuing popularity of prime copyright market.

Strategic layout for prime copyrights

In 2015, followed by the acquisition of a prime copyright “Hunger for World Conquest” (「我欲封天」), which is a top-selling network literature written by an author named Ergen on Qidian Chinese Literature Platform, Finger Fun developed a number of game products of different types in collaboration with developers. Finger Fun also acquired the RPG mobile game edition right of an animation-and-comic “Monster Record” (「虎X鶴妖師錄」), which ranked top 5 of Class S animated comics and the simulation mobile game edition right of “Visit the Queen” (「拜見女皇陛下」), which ranked top 10 of Class S animated comics in the largest online original animated comic website (www.u17.com) (「有妖氣」) in China, as well as the HTML5 game edition right of “Great Bug” (「魁拔」), a renowned local animation-and-comic movie.

Game product reserves

In 2015, Finger Fun introduced a number of mobile games including “Release the General” (「關門放呂布」), “Trouble of Clans” (「部落特煩惱」) (formerly known as「巔峰王座」), “Ancient War” (「遠古紛爭」), “Burning Brother HTML5” (「燃燒吧二弟HTML5」) and “Lv Bu and Diao Chan HTML5” (「呂布戲貂蟬HTML5」). Of which, “Release the General” (「關門放呂布」) was released in October 2015, and the remaining games are expected to be released during 2016.

In 2015, as Finger Fun had acquired the prime copyright of “Hunger for World Conquest” (「我欲封天」), it developed a number of different game products in collaboration with developers, of which, “Hunger for World Conquest HTML5” (「我欲封天HTML5」) was released via iOS platform in September 2015. Furthermore, a game, based on the copyright of Hunger for World Conquest was jointly developed with Beijing Wali Network Technology Co. Ltd., a group company of Xiaomi Technology, was released in March 2016. Operating extensively on the prime copyrights along with the cooperation with mobile game developers on game development could not only recover the purchase cost of copyright and thus reduce the operational risk, but also facilitate the interactive and sustainable development of prime copyrights.

Precise management on mobile game publishing business

In 2015, Finger Fun continued to operate “PaPa Three Kingdoms” (「啪啪三國」) on android platforms. Our operation team strived to attract existing users and maximize the exposure to new users through six version of updates by adding more interactive functions and over 260 promotion activities during the reporting period, the monthly active users maintained at around 150,000 stably and accumulated nearly 10 million registered users. Benefited from the precise management, the monthly turnover of “PaPa Three Kingdoms” (「啪啪三國」) maintained at stable level with minor growth even after its launch for nearly 3 years and has contributed revenue of over RMB130 million which is beyond our expectation.

In 2015, Finger Fun has launched a number of new mobile games including “Arcade Heroes” (「街機群英傳」), “Strategic Three Kingdoms” (「神機三國」) (originally known as “Counselor Save Me” (「軍師救我」)), “Release the General” (「關門放呂布」) and “Hunger for World Conquest HTML5” (「我欲封天HTML5」), which were broadly recommended by distribution channels during the promotion period and have started to generate revenues for the Company. Of which, “Release the General” (「關門放呂布」) and “Hunger for World Conquest HTML5” (「我欲封天HTML5」) achieved remarkable performances. “Release the General” (「關門放呂布」) ranked number one on the free billboard and ranked number eleven on the best selling billboard on App Store shortly after their releases. The iOS version of “Hunger for World Conquest HTML5” (「我欲封天HTML5」) was released in September 2015 and had reached monthly turnover of nearly RMB1 million. Becoming a hit prime copyright, it ranked among the ten best selling HTML5 games steadily. It has also obtained a number of important awards in the industry, such as the “Most Popular HTML5 Game of the Year” (年度最受歡迎HTML5遊戲) under the Golden Pocket Award, (「金口袋獎」), as well as the “Best Novel IP Mobile Game of the Year” (年度最佳小說IP移動遊戲) under the Golden Key Award (「金鑰獎」).

The Company continues to operate the game publishing business under precise management strategy through the establishment of strict internal online standard and continuing improvement on below-standard mobile game before its launch. Accordingly, the launch of certain mobile games was postponed which in turn resulted in the lower than expected revenue contributed from the prime mobile game business.

Strategic layout through equity investments

In 2015, the Company equity-invested in three quality mobile game developers, whose products include “Dream Raiders” (「盜夢英雄」), “Release the General” (「關門放呂布」) and “Trouble of Clans” (「部落特煩惱」). The Company has acquired the exclusive publishing right for “Release the General” (「關門放呂布」) in mainland China and Hong Kong, and the same for “Trouble of Clans” (「部落特煩惱」) in mainland China. “Release the General” (「關門放呂布」) was published in the mainland China in the second half of 2015, and has been scheduled to release in Hong Kong in the first half of 2016. “Trouble of Clans” (「部落特煩惱」) has been scheduled to release in the mainland China in the second half of 2016.

Music-based entertainment industry chain based on mobile internet

China's mobile music commercialization will be accelerated and the music scale will grow steadily with the enhanced music copyright supervision.

Offline live music performance brand "A8Live" is operated together with the LiveHouse Theater located in the podium of the A8 Music Building, its business functions include live music performance, maker café, professional studio, band rehearsal rooms and music education center. A8Live has held approximately 50 activities during 2015 with diversified activity styles such as artists or band performances, concerts, fans meeting, press releases, charitable activities and live broadcasts, etc. Artists invited are becoming more international which include Starsailor from England, a famous Korean girls pop group named Stellar, Totfamily from Taiwan and several groups of artists or brands from Hong Kong and Mainland China. Operating models include self-organized activities, facility rental and ticket sharing. Going onwards, celebrities having performances in small venues such as LiveHouse will become a trend. Interactive performances within short distance will also become a selling point for LiveHouse to attract audience. Through these activities, the team has accumulated extensive experiences. The enhanced brand will facilitate the subsequent exploration of the operations of LiveHouse and O2O model to a larger extent. For the second half of 2015, A8Live also conducted trial cooperation with renowned platforms such as LeTV, iQIYI and YY to participate in live contents production.

In 2015, the Group hosted the "SING China's original pop music competition" with Nanshan District Government of Shenzhen. Our online content collection platform A8.com continued to provide services to original music musicians, which facilitates the development of original music collection and development.

Duomi Music has been preparing for the listing of Beijing Caiyun Online Technologies Co. Ltd (「北京彩雲在線技術開發有限公司」, "Beijing Caiyun") on the National Equities Exchange and Quotations System, and undergoing a group reorganization and new investors introduction during 2015. In 2015, Duomi Music started to explore business transformation in order to reduce the dependence on copyrights and shifted its focus to vertical operation, O2O activities, and fans accessories market. Duomi Music has adopted a new internet+entertainment business model, and devoted to build the largest fans platform through its App "oops" (「偶扑」). Released in August 2015, "oops" fans platform aims to attract a vast number of fans through organizing different activities such as being the sole official mobile voting platform for MAMA, the epic music event in Korea, and live broadcast of MAMA music award, as well as being the fans voting platform of the Golden Record Ceremony in Korea and Jiangsu TV, etc. "oops" platform has becoming fully functional few months after its launch, which equips with the functions of idea exchange among fans, voting, live broadcasting and ticketing. It has also established a certain level of brand awareness among the fans community.

A8 Music Building

A8 Music Building is located near the Central Business District of Nanshan District, Shenzhen, which belongs to the Software Industry Park area. The total building area of A8 Music Building is approximately 50,000 square meters which include commercial office, commercial retail and parking slot areas. The property investment of A8 Music Building has been re-designated as the principal business of the Group since the interim report of 2015. A8 Music Building has contributed an overall income of over RMB50 million in 2015, representing an increase of 100% as compared to that of the same period last year.

BUSINESS OUTLOOK IN 2016

The Company has been exploring the industry development of “Internet + Culture” for long time. In 2015, the Company’s business model was highly appraised by the government officials from national, provincial and regional levels during their visits. Their visits were broadly reported by the media, which helped the Group promote its brand and increase our confidence and determination in implementing the Company future strategies. In 2016, the Company will continue to build the music-based entertainment industry chain and prime game publishing platform, and at the same time to strengthen the layout of upstream and downstream in the copyrights industry chain, as well as to seek the incubation and operations of copyrights.

Prime games publishing platform

Strengthening the layout of prime copyrights

Following the continuing popularity of prime copyright market, Finger Fun continues to strengthen its layout of prime copyrights. It will further increase copyright reserves in 2016 to introduce the exclusive license of prime copyright in mobile game sector, deeper excavate and maximize the values of copyright, and expand to accessory market based on prime copyrights. In the meantime, Finger Fun will further identify innovative mobile games with originality and characteristics in order to further increase its market share by precise operations and strong distribution capabilities, and targeted marketing tactics.

In 2015, Finger Fun established a joint venture, namely Beijing Grass Entertainment Culture Co., Ltd (the “Grass Entertainment”) with Beijing Vasoon Animation Co., Ltd (the “Vasoon”), a famous original animation-and-comic production company with over 20 years of operations in China. In 2016, Grass Entertainment will endeavor to strengthen the layout of prime copyrights and introduce a a mobile game based on Grass Entertainment’s signature copyright, “Crazy Journey to the West” (「狼西遊」), and try to extend the copyright to the production of movie in collaboration with the production crew.

Game publishing business focusing on HTML5 and pilot overseas publishing

In 2016, in addition to its continuous operations of “PaPa Three Kingdoms” (「啪啪三國」) on android platforms, as well as the published games including “Release the General” (「關門放呂布」) and “Hunger for World Conquest HTML5” (「我欲封天HTML5」), Finger Fun plans to publish a number of games including the customer-end games “Trouble of Clans” (「部落特煩惱」), “Ancient War” (「遠古紛爭」) and “Crazy Journey to the West” (「狼西遊」). Moreover, on the basis of the experience accumulated from the successful operations of “Hunger for World Conquest HTML5” (「我欲封天HTML5」) in 2015, HTML5 games will be the focus and a series of HTML5 games including “Great Bug HTML5” (「魁拔HTML5」), “Burning Brother HTML5” (「燃燒吧二弟HTML5」) and “Lv Bu and Diao Chan HTML5” (「呂布戲貂嬋HTML5」) will be published in 2016.

At the same time, Finger Fun plans to expand the publishing region to overseas markets, in an attempt to publish the prime mobile games overseas. “Release the General” (「關門放呂布」) will be pilot published in Hong Kong during the first half of 2016.

Music-based entertainment industry chain based on mobile internet

In 2016, the Company will continue to develop our music performance business on A8Live, reinforce the branding promotion and strengthen its industry influence. A8Live will continue to introduce sophisticated contents to reward our audience. As at the date of this report, a number of well-known music celebrities including MIKA, a UK-based music genius, and Liu Weinam, a protege in the television music program “the Voice of China” (「中國好聲音」) have performed on the stage of A8Live. A8Live will further be operated in terms of performers by inviting the artists who are most desirable and favorite to the audience. In 2016, A8Live Music Training Center will commence operations and recruit students, providing a platform to learn, exchange and grow for original musicians and grass-rooted musicians. In the mean time, outstanding students will receive trainings, develop towards the direction as an artist, produce their own songs, MV, and short-films which further creating the values of copyrights.

In 2016, the Company will also integrate the online and offline resources from A8Live and A8.com platforms to collect, select and produce high quality contents, create our own copyrights and monetize them through online distribution platforms based on the accumulated performance resources from A8Live, technical crews, professional studio equipment and A8.com original music platform. Self-produced contents will become more diversified, which include different types of online live broadcasts and recording, artist interviews, live shows, and music education, etc.

For Duomi Music, efforts will be continued to devote to enhancing the operations of Duomi Music on one hand, and adopting a new internet+ entertainment business model on the other. Integrating the advantageous entertainment resources of the upstream and downstream in the entertainment industry chain as owned by the Company, “oops” (「偶扑」) platform is targeted to be built as the biggest platform for fans interaction in China, satisfying the fans’ organization in terms of fans recruitment, fund-raising, management of fans group, support, and live broadcasts. At the same time, the strategic cooperation with Migu Culture and Technology Co., Ltd. (「咪咕文化科技有限公司」), “Migu Culture”, a wholly owned subsidiary of China Mobile Group will be fully initiated to facilitate the development of the Company’s business. In addition, upon completion of the reorganization of Duomi Music Group, the new listing matters of Beijing Caiyun, its operating entity in China, will be continued and scheduled to be completed in 2016.

Strategic Layout through Equity Investment

As at the end of 2015, the Company had a total cash and bank balance and highly liquid short term assets of approximately RMB497.1 million. The Company intends to capture the increased demand in both the mobile game and mobile music markets by means of strategic expansion in upstream or downstream of the industry chain such as mobile game developer, mobile game related intelligence property content developer/platform, music content developer/platform, online distribution channel and other cultural and entertainment platform, etc.

A8 Music Building

In 2016, as the Shenzhen property market rebounds and the rental increases steadily. In particular, the auxiliary facilities in the regions where the buildings are located are becoming mature, and the traffic is increased driven by the moving-in of a large number of renowned enterprises. It is expected that the increase of rental income of the buildings will remain stable. At the same time, the Group will also continue to enhance the property management level of the building and to provide better services to our tenants in order to contribute a consistent and stable cash flow for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the period, considering the continuing and stable contribution from the property investment after its commencement in 2014, the Group re-designated such business as one of the principal business activities, together with the digital entertainment service business which engages in the provision of music-based entertainment and game-related services.

Revenue and profit attributable to owners of the Company

For the year ended 31 December 2015, the revenue of the Group amounted to approximately RMB148.4 million, representing a decrease of 36.0% as compared with 2014 (2014: approximately RMB231.9 million, as restated).

Digital entertainment services

For the year ended 31 December 2015, the revenue of digital entertainment services of the Group amounted to approximately RMB96.0 million, representing a decrease of approximately 53.3% as compared with 2014 (2014: approximately RMB205.6 million). The decrease was resulted from the shrunken of the traditional wireless music-based entertainment services following the strategic transformation of the Company to dispose certain traditional wireless value-added business as disclosed in the 2012 annual report, and the delay in launching several mobile games which resulted in lower than expected performance of the mobile game publishing business.

Property investment business

For the year ended 31 December 2015, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB52.4 million, representing a significant increase of approximately 99.4% as compared with 2014 (2014: approximately RMB26.3 million, as restated). The increase was mainly due to the increase in occupancy rate and unit price resulted from the high quality property management service after its commencement in 2014.

For the year ended 31 December 2015, the profit attributable to equity holders of the Company amounted to approximately RMB22.0 million (2014: approximately RMB10.8 million). The increase was mainly due to the gain on redemption of the First Tranche Convertible Notes of Duomi Music Holding Limited (“**Duomi Music**”) held by the Group during the year amounted to approximately RMB53.7 million.

Cost of services provided

For the year ended 31 December 2015, cost of services provided by the Group amounted to approximately RMB99.8 million, representing a decrease of approximately 39.6% as compared with 2014 (2014: approximately RMB165.4 million, as restated).

Digital entertainment services

For the year ended 31 December 2015, the cost of services provided of digital entertainment services amounted to approximately RMB85.0 million, decreased by approximately 44.4% as compared with 2014 (2014: approximately RMB153.0 million, as restated). It mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as music copyrights, game copyrights and direct labor costs.

Revenue shared with mobile operators and distribution channels mainly ranged from 30% to 50% of total digital entertainment services revenue received from mobile users and it averaged at approximately 42.0% for the year ended 31 December 2015 (2014: approximately 41.4%), while revenue shared with business alliances averaged at approximately 24.0% of total digital entertainment services revenue for the year ended 31 December 2015 (2014: approximately 24.0%, as restated).

Property investment business

For the year ended 31 December 2015, the cost of services provided of property investment business amounted to approximately RMB14.8 million, increased by approximately 20.0% as compared with 2014 (2014: approximately RMB12.4 million, as restated). It mainly comprises employee's compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the year ended 31 December 2015, the gross profit of the Group amounted to approximately RMB45.7 million, representing a decrease of approximately 29.0% as compared with 2014 (2014: approximately RMB64.4 million, as restated). The overall gross margin ratio of the Group was approximately 30.8%, as compared with approximately 27.8% as restated for the year ended 31 December 2014. The slight increase of gross profit margin ratio was mainly attributable to the contribution from the property investment business which generated a higher gross profit margin for the year ended 31 December 2015.

Other income and gains, net

For the year ended 31 December 2015, the other income and gains of the Group were approximately RMB125.6 million, representing an increase of approximately 15.1% as compared with a net gain of approximately RMB109.1 million as restated for the year ended 31 December 2014.

The increase was mainly due to the gain on redemption of convertible notes and increase of the imputed interest income generated from the preferred shares and convertible notes amounted to approximately RMB53.7 million and RMB8.9 million, respectively, which were partly offset by the decrease in fair value gains on investment properties amounted to approximately RMB48.3 million.

Selling and marketing expenses

For the year ended 31 December 2015, the selling and marketing expenses of the Group amounted to approximately RMB55.9 million, representing an increase of approximately 69.7% as compared with 2014 and approximately 58.3% of the digital entertainment services revenue (2014: approximately RMB33.0 million, representing approximately 16.1% of digital entertainment services revenue). The increase in selling and marketing expenses and its ratio to the related revenue were mainly due to the increase in marketing and promotion expenses amounted to approximately RMB23.9 million arising from promotion activities for various mobile games during their launch stage in the second half of 2015.

Administrative expenses

For the year ended 31 December 2015, the administrative expenses of the Group amounted to approximately RMB40.4 million, representing a decrease of 12.5% as compared with 2014 (2014: approximately RMB46.1 million, as restated), which resulted from cost control activities carried out during the year.

Other expenses, net

For the year ended 31 December 2015, the other expenses, net of the Group amounted to approximately RMB16.0 million, representing an increase of approximately 60.1% as compared with approximately RMB10.0 million in 2014. The increase was mainly due to the increase of fair value loss of conversion option embedded in preferred shares and convertible notes amounted to approximately RMB10.9 million, which were partly offset by the decrease of the impairment of an associate and joint ventures amounted to approximately RMB4.9 million.

Share of losses of associates

For the year ended 31 December 2015, the Group shared losses of associates amounted to approximately RMB25.2 million, representing a decrease of approximately 38.4% as compared with approximately RMB40.9 million in 2014, among which approximately RMB10.9 million was derived from share losses of prior years, which mainly represented share of loss of Duomi Music.

Income tax

For the year ended 31 December 2015, the income tax expenses of the Group amounted to approximately RMB10.4 million, representing a decrease of approximately 68.8% as compared with approximately RMB33.4 million in 2014.

The effective tax rate of the Group was 32.4% in 2015 (2014: approximately 77.6%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 15% and 25% in the respective operating subsidiaries of the Group in 2015. The tax expenses were mainly derived from deferred tax liability related to the appreciation of investment property of approximately RMB9.8 million in 2015, representing a decrease of 68.2% as compared with approximately RMB30.8 million in 2014 which was mainly due to the decrease in fair value gain on investment properties amounted to approximately RMB48.3 million.

Liquidity and Financial Resources

As at 31 December 2015, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash, and investments at fair value through profit or loss amounted to approximately RMB497.1 million (2014: approximately RMB320.8 million). Among which, approximately RMB353.3 million, or approximately 71% was denominated in RMB.

As at 31 December 2015, the Group did not have any borrowings or debts. Accordingly, the gearing ratio which is measured by the net borrowings over the total assets is not applicable.

The Group's exposure to changes in interest rate is mainly attributable to its deposits placed with banks. The Group mainly operates in the Mainland China with most of the transactions settled in RMB.

As at 31 December 2015, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Non-current Assets

As at 31 December 2015, the total non-current assets of the Group amounted to approximately RMB642.8 million (2014: approximately RMB608.7 million). The increase was mainly due to the increase of available-for-sale investments, fair value increase of investment properties of A8 Music Building and increase in investments in associates amounted to approximately RMB41.0 million, RMB39.0 million and RMB27.2 million, respectively, which were partly offset by the decrease of the convertible notes of Duomi Music and intangible assets amounted to approximately RMB62.2 million and RMB6.6 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2015, the total current assets of the Group amounted to approximately RMB635.1 million (2014: approximately RMB367.3 million). The increase was mainly due to the increase of cash and cash equivalents amounted to approximately RMB113.3 million, resulted from the net proceeds from the two placing of new shares completed on 27 April 2015 and 22 July 2015 amounted to approximately RMB215.6 million in aggregate, which was partly offset by the net cash outflow from operating activities and investing activities of approximately RMB110.7 million. The increase was also due to the increase of prepayments, deposits and other receivables amounted to approximately RMB100.6 million, resulted from the recognition of receivables from repayment of principal and interest of convertible notes of Duomi Music. Trade receivables amounted to approximately RMB23.1 million (2014: approximately RMB32.2 million), and the turnover days of trade receivables was approximately 67 days (2014: approximately 65 days, as restated).

As at 31 December 2015, the total current liabilities of the Group amounted to approximately RMB163.9 million (2014: approximately RMB122.5 million). The increase was mainly due to the increase of other payables and accruals and deferred income amounted to approximately RMB38.0 million and RMB8.5 million, respectively, which were partly offset by the decrease of trade payables of approximately RMB6.1 million.

Cash Flow

Net cash outflow from operating activities of the Group for the year ended 31 December 2015 was approximately RMB13.4 million, resulted from cash outflow generated from operations of approximately RMB11.9 million and the tax paid of approximately RMB1.5 million.

Net cash outflow from investing activities of the Group for the year ended 31 December 2015 was approximately RMB97.3 million, resulted from the cash outflow for acquisition of available-for-sale investments, purchase of shareholding in associates and joint ventures, purchases of items of property, plant and equipment, and purchase of intangible assets amounted to approximately RMB27.6 million, RMB33.8 million, RMB30.8 million and RMB11.7 million, respectively, which were partly offset by interest received of approximately RMB9.2 million.

Net cash inflow from financing activities of the Group for the year ended 31 December 2015 was approximately RMB215.5 million, resulted from the two placing of new shares which were completed on 27 April 2015 and 22 July 2015.

Contingent Liabilities

As at 31 December 2015, the Group did not have any material contingent liabilities.

Human Resources

As at 31 December 2015, the Group employed 160 employees (2014: 148 employees). However, the average headcounts of year 2015 was 165 while it was 177 in year 2014. The Group determines the remuneration of its employees based on various factors such as responsibilities, qualifications and years of experience. Total employee costs for the year ended 31 December 2015, including directors' emoluments, amounted to approximately RMB31.9 million, representing a decrease of approximately 14.0% as compared with 2014 (2014: approximately RMB37.1 million), which was mainly due to the combined effect of labor adjustment in relation to business restructure, wage growth and severance for dismissed employees during 2015.

Events after the reporting period

Subsequent to the end of the reporting period, the Group received the full outstanding principal amount together with interest payable accrued of the convertible notes from Duomi Music amounted to approximately USD16 million (equivalent to approximately RMB101 million) and refunded the collateral security of RMB60 million to Duomi Music in January 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i> (Restated)
REVENUE, net of business tax	5	145,578	229,738
Cost of services provided		<u>(99,841)</u>	<u>(165,365)</u>
Gross profit		45,737	64,373
Other income and gains, net	5	125,592	109,090
Selling and marketing expenses		(55,939)	(32,955)
Administrative expenses		(40,352)	(46,096)
Other expenses, net		(16,024)	(10,008)
Share of losses of associates		(25,212)	(40,940)
Share of losses of joint ventures		<u>(1,733)</u>	<u>(448)</u>
PROFIT BEFORE TAX	6	32,069	43,016
Income tax expense	7	<u>(10,394)</u>	<u>(33,363)</u>
PROFIT FOR THE YEAR		<u>21,675</u>	<u>9,653</u>
Attributable to:			
Owners of the Company		22,006	10,758
Non-controlling interests		<u>(331)</u>	<u>(1,105)</u>
		<u>21,675</u>	<u>9,653</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB per share)		<u>1.3 cents</u>	<u>0.8 cents</u>
Diluted (RMB per share)		<u>1.3 cents</u>	<u>0.8 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		148,413	150,049
Investment properties	<i>10</i>	349,000	310,000
Prepaid land lease payments		13,516	13,839
Goodwill		–	1,515
Prepayment for acquisition of items of property, plant and equipment		–	1,904
Intangible assets		15,831	22,433
Investments in associates		27,229	–
Investments in joint ventures		31,353	26,208
Available-for-sale investments		46,994	6,000
Deferred tax assets		4,136	2,294
Conversion option embedded in preferred shares		6,309	9,242
Debt portion of convertible notes		–	30,004
Conversion option embedded in convertible notes		–	32,176
Deposit for acquisition of an investment		–	3,000
		<hr/>	<hr/>
Total non-current assets		642,781	608,664
CURRENT ASSETS			
Trade receivables	<i>11</i>	23,121	32,216
Prepayments, deposits and other receivables		114,855	14,260
Financial assets at fair value through profit or loss		342	443
Restricted cash balances		66,990	3,885
Cash and cash equivalents		429,745	316,458
		<hr/>	<hr/>
Total current assets		635,053	367,262
CURRENT LIABILITIES			
Trade payables	<i>12</i>	29,305	35,391
Other payables and accruals		109,563	71,540
Tax payable		7,771	6,804
Deferred income		17,267	8,758
		<hr/>	<hr/>
Total current liabilities		163,906	122,493
NET CURRENT ASSETS			
		<hr/>	<hr/>
		471,147	244,769
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,113,928	853,433

	<i>Note</i>	2015 RMB'000	2014 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		55,110	45,360
Deferred income		9,475	9,662
		<hr/>	<hr/>
Total non-current liabilities		64,585	55,022
		<hr/>	<hr/>
Net assets		1,049,343	798,411
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>13</i>	15,123	11,914
Reserves		1,034,917	786,863
		<hr/>	<hr/>
Non-controlling interests		1,050,040	798,777
		(697)	(366)
		<hr/>	<hr/>
Total equity		1,049,343	798,411
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

A8 New Media Group Limited (the “Company” or “A8 New Media”) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities in the People’s Republic of China (the “PRC” or “Mainland China”):

- provision of digital entertainment services
- property investment

Property investment has been one of the businesses of the Group since 2014. During the year, the board of directors of the Company resolved that resources would continuously be deployed to such business and accordingly, property investment is redesignated by the board of directors as one of the principal activities of the Group. Other than this change, there were no significant changes in the nature of the Group’s principal activities.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost basis, except for investment properties, financial assets at fair value through profit or loss and conversion options embedded in preferred shares and convertible notes which have been measured at fair value. The financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19

Annual Improvements to IFRSs 2010-2012 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle

Defined Benefit Plans: Employee Contributions

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) the digital entertainment segment engages in the provision of music-based entertainment and game-related services in the PRC; and
- (b) the property investment segment invests in properties for rental and management fee income in PRC.

During the year, as mentioned in note 1 above, the board of directors of the Company has resolved that resources would continuously be deployed to property investment and accordingly, property investment business is redesignated by the board of directors as one of the principal activities of the Group. The results of the provision of property investment business are also separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the year ended 31 December 2014 has been restated to reflect this change of segment composition.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and corporate and other unallocated income and expenses are excluded from such measurement.

Information regarding these reportable segments, together with their related restated comparative information is presented below.

For the year ended 31 December

	Digital entertainment		Property investment		Total	
	2015	2014	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)	<i>RMB'000</i>	<i>RMB'000</i> (Restated)	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Segment net revenue	95,896	204,934	49,682	24,804	145,578	229,738
Cost of services provided	(84,993)	(152,992)	(14,848)	(12,373)	(99,841)	(165,365)
Gross profit	10,903	51,942	34,834	12,431	45,737	64,373
Segment results	(17,693)	(24,830)	75,599	99,752	57,906	74,922
Reconciliation:						
Bank interest income					9,178	9,110
Corporate and other unallocated income and expenses, net					(35,015)	(41,016)
Profit before tax					32,069	43,016
Income tax expense					(10,394)	(33,363)
Profit for the year					21,675	9,653

	Digital entertainment		Property investment		Total	
	2015 RMB'000	2014 RMB'000 (Restated)	2015 RMB'000	2014 RMB'000 (Restated)	2015 RMB'000	2014 RMB'000 (Restated)
Other segment information						
Depreciation and amortisation						
– operating segments	12,607	10,739	–	–	12,607	10,739
– corporate					4,276	2,026
					<u>16,883</u>	<u>12,765</u>
Capital expenditure*	25,067	48,953	–	11,879	25,067	60,832
Fair value gains on investment properties	–	–	39,000	87,321	39,000	87,321
Equity-settled share option expense						
– operating segments	2,169	2,225	–	–	2,169	2,225
– amount unallocated					2,230	1,635
					<u>4,399</u>	<u>3,860</u>
Equity-settled share award expense	22	347	–	–	22	347
Share of losses of associates	(25,212)	(40,940)	–	–	(25,212)	(40,940)
Share of losses of joint ventures	(1,733)	(448)	–	–	(1,733)	(448)
Impairment losses recognised in the statement of profit or loss	(21,744)	(11,667)	–	–	(21,744)	(11,667)
Impairment losses reversed in the statement of profit or loss	1,615	1,430	–	–	1,615	1,430
Gain on redemption of convertible notes	53,705	–	–	–	53,705	–
Fair value loss on conversion option embedded in preferred shares	(2,933)	(3,773)	–	–	(2,933)	(3,773)
Fair value (loss)/gain on conversion option embedded in convertible notes	(11,751)	1,783	–	–	(11,751)	1,783
Investments in joint ventures	31,353	26,208	–	–	31,353	26,208
Investments in associates	27,229	–	–	–	27,229	–

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

Over 90% of the Group's revenue from external customers is derived from the Group's operations in the PRC, and no non-current assets (excluding financial instruments) of the Group are located outside the PRC.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value (net of business tax) and estimated value of services rendered. An analysis of revenue, other income and gains, net, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i> (Restated)
Revenue		
Digital entertainment		
Game-related revenue	79,401	133,736
Music-based entertainment	16,583	71,881
	<u>95,984</u>	<u>205,617</u>
Sub-total		
Property investment		
Rental and management fee income	52,371	26,268
	<u>148,355</u>	<u>231,885</u>
Less: Business tax	(2,777)	(2,147)
	<u>145,578</u>	<u>229,738</u>
Other income and gains, net		
Fair value gains on investment properties	39,000	87,321
Bank interest income	9,178	9,110
Imputed interest income	19,606	10,718
Fair value gains on financial assets at fair value through profit or loss	–	127
Fair value gain on conversion option embedded in convertible notes	–	1,783
Gain on deemed disposal on an investment in an associate	275	–
Foreign exchange differences, net	1,937	–
Gain on redemption of convertible notes	53,705	–
Others	1,891	31
	<u>125,592</u>	<u>109,090</u>

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Depreciation		6,969	3,159
Amortisation of intangible assets		9,592	9,288
Amortisation of prepaid land lease payments [#]		322	318
Operating lease rentals in respect of office buildings		1,540	1,553
Auditors' remuneration		1,739	1,521
Employee benefit expense (including directors' remuneration):			
Wages, salaries and bonuses		24,944	28,428
Staff education fee		310	125
Welfare, medical and other expenses		3,217	3,191
Contributions to social security plans		3,439	3,925
Equity-settled share option expense		4,399	3,860
Equity-settled share award expense		22	347
		36,331	39,876
(Write-back of impairment)/impairment of trade receivables**	<i>11</i>	(1,615)	683
Write-off of trade receivables**		224	67
Impairment of prepayments**		8,513	2,019
Write-back of impairment of other receivables**		–	(1,430)
Impairment of intangible assets*		10,451	2,762
Write-off of an intangible asset*		1,009	–
Impairment of goodwill**		1,515	–
Foreign exchange differences, net***/**		(1,937)	185
Mobile and telecom charges*		12,125	52,135
Game publishing service charges*		31,390	32,191
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties*		14,848	12,373
Loss of disposal of items of property, plant and equipment**		45	13
Impairment of an investment in an associate**		–	2,832
Impairment of an investment in a joint venture**		1,265	3,371
Gain on deemed disposal of an investment in an associate***		(275)	–
Fair value loss on conversion option embedded in preferred shares**		2,933	3,773
Fair value loss/(gain) on conversion option embedded in convertible notes**/**		11,751	(1,783)
Fair value losses/(gains) on financial assets at fair value through profit or loss**/**		101	(127)
Government grants ^{##}		(9,504)	(11,554)

[#] Included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

^{##} Included in "Selling and marketing expenses" on the face of the consolidated statement of profit or loss. Various government grants have been received for developing the cultural industry in Shenzhen in relation to Shenzhen's government policy. The government grants received have been deducted from the selling and marketing expenses to which they relate. Government grants received for which related expenditure has not been utilised are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

- * Included in “Cost of services provided” on the face of the consolidated statement of profit or loss.
- ** Included in “Other expenses, net” on the face of the consolidated statement of profit or loss.
- *** Included in “Other income and gains, net” on the face of the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing rates in the jurisdictions in which the subsidiaries operate.

An analysis of the income tax charges for the year is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current – PRC		
Charge for the year	2,029	2,251
Underprovision/(overprovision) in prior years	457	(216)
Deferred	7,908	31,328
	<hr/>	<hr/>
Total tax charge for the year	10,394	33,363
	<hr/>	<hr/>

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2015 (2014: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the year ended 31 December 2015 is based on the profit for the year attributable to equity holders of the Company of RMB22,006,000 (2014: RMB10,758,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the year of 1,655,968,000 (2014: 1,406,288,000).

The calculation of the diluted earnings per share amounts for the year ended 31 December 2015 is based on the profit for the year attributable to equity holders of the Company of RMB22,006,000 (2014: RMB10,758,000) as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 1,655,968,000 (2014: 1,406,288,000) ordinary shares in issue less shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average of 25,000 (2014: 3,083,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares and the effect of awarded shares.

10. INVESTMENT PROPERTIES

	Completed <i>RMB'000</i>	Under construction <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount at 1 January 2014	–	210,800	210,800
Additions	–	11,879	11,879
Transfers	222,679	(222,679)	–
Fair value gains on investment properties	87,321	–	87,321
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2014 and 1 January 2015	310,000	–	310,000
Fair value gains on investment properties	39,000	–	39,000
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2015	<u>349,000</u>	<u>–</u>	<u>349,000</u>

The Group's completed investment properties were revalued on 31 December 2015 and 2014 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

The completed investment properties are leased to third parties under operating leases.

The valuations of completed investment properties were based on the capitalisation of net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

11. TRADE RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	24,135	35,069
Impairment	(1,014)	(2,853)
	<hr/>	<hr/>
	<u>23,121</u>	<u>32,216</u>

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to it within a period of 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Billed		
Within 1 month	431	8
Over 1 month but less than 2 months	6,264	2,616
Over 2 months but less than 3 months	1,334	1,228
Over 3 months but less than 4 months	674	2,127
Over 4 months	2,026	4,989
	<u>10,729</u>	10,968
Unbilled	<u>12,392</u>	21,248
	<u>23,121</u>	<u>32,216</u>

The movements in provision for impairment of trade receivables are as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	2,853	2,170
Impairment losses recognised (<i>note 6</i>)	–	683
Write-back of impairment (<i>note 6</i>)	(1,615)	–
Amount written off as uncollectible	(224)	–
	<u>1,014</u>	<u>2,853</u>
At 31 December	<u>1,014</u>	<u>2,853</u>

An aged analysis of the billed trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Neither past due nor impaired	431	8
Less than 1 month past due	6,264	2,616
1 to 2 months past due	2,008	3,355
Over 3 months past due	2,026	4,989
	<u>10,729</u>	<u>10,968</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 1 month	11,188	7,668
1 to 3 months	5,202	11,619
4 to 6 months	1,575	8,906
Over 6 months	11,340	7,198
	<u>29,305</u>	<u>35,391</u>

The trade payables are non-interest-bearing and are normally settled on 30-day to 180-day terms.

Included in the trade payables is an amount due to an associate of RMB344,000 (2014: RMB344,000), which is unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

Shares

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Authorised: 3,000,000,000 (2014: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid: 1,835,192,628 (2014: 1,428,847,128) ordinary shares of HK\$0.01 each	<u>15,123</u>	<u>11,914</u>

A summary of movements in the Company's share capital is as follows:

	Notes	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2014, 31 December 2014 and 1 January 2015		1,428,847,128	14,290	537,705	11,914	450,770	462,684
Exercise of share options	(a)	577,500	5	540	5	425	430
Placement of new shares	(b)	285,768,000	2,857	205,753	2,257	162,493	164,750
Placement of new shares	(c)	120,000,000	1,200	67,200	947	53,062	54,009
Share issue expenses		–	–	(4,401)	–	(3,542)	(3,542)
As at 31 December 2015		<u>1,835,192,628</u>	<u>18,352</u>	<u>806,797</u>	<u>15,123</u>	<u>663,208</u>	<u>678,331</u>

Notes:

- (a) During the year, a total of 577,500 share options under the share option scheme were exercised at exercise prices ranging from HK\$0.65 to HK\$0.69 per share, for a total cash consideration, before expenses, of HK\$381,000 (equivalent to RMB301,000).
- (b) On 16 April 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 285,768,000 new ordinary shares of the Company at a price of HK\$0.73 each. The placing was completed on 27 April 2015 and the Group raised a total of approximately HK\$208.6 million (equivalent to RMB164.8 million), before expenses.
- (c) On 13 July 2015, the Company entered into second placing agreement with the Placing Agent pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 120,000,000 new ordinary shares of the Company at a price of HK\$0.57 each. The placing was completed on 22 July 2015 and the Group raised a total of approximately HK\$68.4 million (equivalent to RMB54.0 million), before expenses.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year of 2015, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FUND RAISING ACTIVITIES

On 16 April 2015, the Company and First Shanghai Securities Limited (the “**Placing Agent**”) entered into the Placing Agreement, pursuant to which the Company has appointed the Placing Agent to procure, on a best effort basis, Placees to subscribe for up to 285,768,000 Placing Shares at a price of HK\$0.73 per Placing Share. On 27 April 2015, an aggregate of 285,768,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK\$0.73 per Placing Share. The net proceeds from the Placing are approximately HK\$205.3 million, which will be utilised as general working capital and/or future investment of the Group as and when opportunities arise.

On 13 July 2015, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has appointed the Placing Agent to procure, on a best effort basis, Placees to subscribe for up to 120,000,000 Placing Shares at a price of HK\$0.57 per Placing Share. On 22 July 2015, an aggregate of 120,000,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK\$0.57 per Placing Share. The net proceeds from the Placing are approximately HK\$67 million, which will be utilised for future investment of the Group as and when opportunities arise, with the focus on mobile game industry chain and online to offline music industry chain consolidation.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, and successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Code provision A.2.1 in the Corporate Governance Code (the “**CG Code**”) stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. In the year ended 31 December 2015, the chairman and chief executive officer of the Company are both held by Mr. Liu Xiaosong, the Company did not comply with code provision A.2.1. Considering Mr. Liu Xiaosong has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group, the Board considered that Mr. Liu is able to lead the

Board in making business decision for the Group. Therefore, Mr. Liu has had the dual roles of the Chairman and CEO of the Company despite deviation from code provision A.2.1 during the year ended 31 December 2015.

Throughout the year ended 31 December 2015, the Company has applied the principles and complied with all code provisions, and where applicable, the recommended best practices as set out in the CG Code, except for the deviation from code provision A.2.1 as explained above. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and professional standards and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its Own Code on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The Audit Committee of the Company, all members of which are independent non-executive Directors with the Chairman Mr. Chan Yiu Kwong having appropriate professional qualifications and experience in financial matters, has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2015.

By order of the Board
A8 New Media Group Limited
Liu Xiaosong
Chairman

Hong Kong, 23 March 2016

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

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