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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2016, the profit attributable to the shareholders of the Company amounted to approximately RMB16.4 million, representing an increase of 180.3% from approximately RMB5.8 million for the corresponding period in 2015.
- For the six months ended 30 June 2016, the overall gross margin ratio of the Group was approximately 42.5%, representing an increase as compared with approximately 35.9% for the corresponding period in 2015.
- For the six months ended 30 June 2016, the revenue of the Group amounted to approximately RMB92.6 million, representing an increase of 36.4% from approximately RMB67.9 million for the corresponding period in 2015.
- Strong balance sheet, with cash and bank balance and highly liquid short term assets of approximately RMB540.1 million and net assets of approximately RMB1,070 million as of 30 June 2016.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial information (“**Interim Accounts**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2016. The Interim Accounts have not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE, net of business tax	4	91,645	66,605
Cost of services provided		<u>(52,257)</u>	<u>(42,244)</u>
Gross profit		39,388	24,361
Other income and gains, net	4	15,776	31,469
Selling and marketing expenses		(8,557)	(8,284)
Administrative expenses		(16,188)	(21,118)
Other expenses		(1,147)	(5,478)
Share of losses of associates		(7,503)	(9,762)
Share of losses of joint ventures		<u>(2,071)</u>	<u>(916)</u>
<b>PROFIT BEFORE TAX</b>	5	19,698	10,272
Income tax expense	6	<u>(3,350)</u>	<u>(4,751)</u>
<b>PROFIT FOR THE PERIOD</b>		<u>16,348</u>	<u>5,521</u>
Attributable to:			
Owners of the Company		16,350	5,834
Non-controlling interests		<u>(2)</u>	<u>(313)</u>
		<u>16,348</u>	<u>5,521</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic (RMB per share)		<u>0.9 cent</u>	<u>0.4 cent</u>
Diluted (RMB per share)		<u>0.9 cent</u>	<u>0.4 cent</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

		30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	146,384	148,413
Investment properties		358,000	349,000
Prepaid land lease payments		13,354	13,516
Available-for-sale investments	10	56,994	46,994
Intangible assets		17,771	15,831
Investments in associates	11	28,057	27,229
Investments in joint ventures		29,282	31,353
Deferred tax assets		3,657	4,136
Conversion option embedded in preferred shares		–	6,309
		653,499	642,781
<b>CURRENT ASSETS</b>			
Trade receivables	12	13,730	23,121
Prepayments, deposits and other receivables		12,164	114,855
Available-for-sale investments	10	45,000	–
Financial assets at fair value through profit or loss	13	296	342
Restricted cash balances		1,861	66,990
Cash and cash equivalents		492,980	429,745
		566,031	635,053
<b>CURRENT LIABILITIES</b>			
Trade payables	14	33,619	29,305
Other payables and accruals		31,933	109,563
Tax payable		7,711	7,771
Deferred income		8,704	17,267
		81,967	163,906
<b>NET CURRENT ASSETS</b>		<b>484,064</b>	<b>471,147</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,137,563</b>	<b>1,113,928</b>

		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>57,360</b>	55,110
Deferred income		<b>10,215</b>	9,475
		<u>67,575</u>	<u>64,585</u>
Total non-current liabilities		<b>67,575</b>	64,585
Net assets		<b>1,069,988</b>	1,049,343
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>15</i>	<b>15,123</b>	15,123
Reserves		<b>1,055,564</b>	1,034,917
		<u>1,070,687</u>	<u>1,050,040</u>
<b>Non-controlling interests</b>		<b>(699)</b>	(697)
		<u>1,069,988</u>	<u>1,049,343</u>
Total equity		<b>1,069,988</b>	1,049,343

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

A8 New Media Group Limited (the “Company”) 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 period, 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

There were no significant changes in the nature of the Group’s principal activities.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2015, except in relation to the following revised International Financial Reporting Standards, (“IFRSs”, which also include IASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operation</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs

The adoption of the above revised IFRSs has had no significant financial effect on the interim financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3. 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 the PRC.

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 comparative information is presented below.

#### For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Segment net revenue	64,985	44,708	26,660	21,897	91,645	66,605
Cost of services provided	(44,645)	(35,513)	(7,612)	(6,731)	(52,257)	(42,244)
Gross profit	<u>20,340</u>	<u>9,195</u>	<u>19,048</u>	<u>15,166</u>	<u>39,388</u>	<u>24,361</u>
Segment results	<u>(49)</u>	<u>(10,783)</u>	<u>28,048</u>	<u>33,166</u>	<u>27,999</u>	<u>22,383</u>
Reconciliation:						
Bank interest income					4,457	4,060
Corporate and other unallocated income and expenses, net					(12,758)	(16,171)
Profit before tax					19,698	10,272
Income tax expense					(3,350)	(4,751)
Profit for the period					<u>16,348</u>	<u>5,521</u>

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 of the Group are located outside the PRC.

#### 4. 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:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Revenue</b>		
<b>Digital entertainment</b>		
Game-related revenue	57,072	36,050
Music-based entertainment	7,920	8,832
<b>Sub-total</b>	<b>64,992</b>	<b>44,882</b>
<b>Property investment</b>		
Rental and management fee income	27,627	23,025
	92,619	67,907
Less: Business tax	(974)	(1,302)
Net revenue	<b>91,645</b>	<b>66,605</b>
<b>Other income and gains, net</b>		
Bank interest income	4,457	4,060
Imputed interest income	–	9,191
Fair value gains on investment properties	9,000	18,000
Foreign exchange differences, net	2,234	50
Others	85	168
	<b>15,776</b>	<b>31,469</b>

#### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Depreciation	3,626	3,381
Amortisation of intangible assets	1,060	5,311
Amortisation of prepaid land lease payments	162	162
Impairment of an investment in an associate	978	–
Fair value loss on conversion option embedded in preferred shares	–	1,761
Fair value loss on conversion option embedded in convertible notes	–	3,655
Fair value loss/(gain) on financial assets at fair value through profit or loss	46	(22)

## 6. INCOME TAX EXPENSE

An analysis of the income tax charges for the six months ended 30 June 2016 and 2015 is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current – PRC		
Charge for the period	999	–
Overprovision in the prior year	(377)	(264)
Deferred	2,728	5,015
	<hr/>	<hr/>
Total tax charge for the period	<b>3,350</b>	<b>4,751</b>

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 six months ended 30 June 2016 and 2015, respectively.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates in the jurisdictions in which the subsidiaries operate.

## 7. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the six months ended 30 June 2016 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB16,350,000 (six months ended 30 June 2015: RMB5,834,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2016 of 1,814,259,696 (six months ended 30 June 2015: 1,525,305,770).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2016 in respect of a dilution as the impact of the shares options outstanding and the awarded shares had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB5,834,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is 1,525,305,770 ordinary shares in issue less shares held under the share award scheme during the six months ended 30 June 2015, as used in the basic earnings per share calculation, and the weighted average of 8,237 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.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB1,677,000 (six months ended 30 June 2015: RMB7,905,000). There were disposals and/or write-off of property, plant and equipment of RMB80,000 (six months ended 30 June 2015: RMB169,000) during the six months ended 30 June 2016.



## 10. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group acquired 10% equity interest in Shanghai Hanqu Network Technology Company Limited, which is principally engaged in developing mobile games, for a total cash consideration of RMB10 million.

The Group has also entered into contracts with various financial institutions in the PRC to acquire structured investments amounted to RMB45 million during the period. The structured investments are non-capital protected financial products.

During the period ended 30 June 2016, no gain/loss in respect of the Group's available-for-sale investments were recognised in other comprehensive income or reclassified from other comprehensive income to profit or loss.

## 11. INVESTMENTS IN ASSOCIATES

During the period, a capital injection of RMB3 million was made to one of the associates, which principally engaged in producing anime and musical performance.

## 12. TRADE RECEIVABLES

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

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Billed		
Within 1 month	<b>3,962</b>	431
Over 1 month but less than 2 months	<b>788</b>	6,264
Over 2 months but less than 3 months	<b>341</b>	1,334
Over 3 months but less than 4 months	<b>418</b>	674
Over 4 months	<b>1,840</b>	2,026
	<hr/>	<hr/>
	<b>7,349</b>	10,729
Unbilled	<b>6,381</b>	12,392
	<hr/>	<hr/>
	<b>13,730</b>	23,121
	<hr/>	<hr/>

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to the Group within a period of 30 to 120 days.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's listed equity investments were upon initial recognition, designated by the Group as financial assets as at fair value through profit or loss and are stated at fair value.

#### 14. TRADE PAYABLES

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

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Within 1 month	2,236	11,188
1 to 3 months	1,502	5,202
4 to 6 months	3,521	1,575
Over 6 months	<u>26,360</u>	<u>11,340</u>
	<u><b>33,619</b></u>	<u>29,305</u>

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

#### 15. SHARE CAPITAL

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
<b>Authorised:</b> 3,000,000,000 ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
<b>Issued and fully paid:</b> 1,835,192,628 ordinary shares of HK\$0.01 each	<u>15,123</u>	<u>15,123</u>

#### 16. COMMITMENTS

The Group had the following commitments as at the end of the reporting period:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Contracted, but not provided for: Investments	<u>-</u>	<u>10,000</u>

## 17. RELATED PARTY TRANSACTION

In addition to those detailed elsewhere in these condensed consolidated interim financial information, during the current period, the Group has the following transaction:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Game licence fee</b>	<b>3,000</b>	–

The licence of a mobile game was entrusted to Xiamen Mechanist Internet Technologies Co., Ltd. (“Mengjia”), a company of which Mr. Liu Xiaosong, the Chairman of the Group, is the shareholder and the director. The game licence fee was charged pursuant to the terms in the agreement signed between the Group and Mengjia.

## 18. EVENT AFTER THE REPORTING PERIOD

On 13 May 2016, the Group has entered into a sale and purchase agreement with independent third parties to acquire 35% equity interests in Beijing Jiangwen Information Technology Co., Ltd. (“Beijing Jiangwen”) for a cash consideration of RMB192.5 million. Beijing Jiangwen is principally engaged in incubation and operation of prime copyrights. Subsequent to the end of the reporting period on 12 August 2016, the Group has obtained approval from shareholders of the Company at an extraordinary general meeting for the acquisition. The transaction has not been completed as at the date of approval of this interim results announcement.

## **BUSINESS REVIEW AND OUTLOOK**

### **Business Review for the first half of 2016**

According to the information published by China Internet Network Information Center in August 2016, China's mobile internet population had reach 656 million as at June 2016, representing an increase of 36 million as compared with the end of 2015 and had reached up to 92.5% of the China's internet population. Along with the increasing mobile screen size and user experiences on mobile application, mobile phone has further consolidated 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 the first half of 2016, along with the continuing popularity of prime copyrights, Shenzhen Finger Fun Network Technology Limited (“Finger Fun”) (「指游方寸」) continued its effort into the layouts of prime copyrights to strengthen the reserves of copyrights and mobile games, while striving to develop Finger Fun as a global mobile entertainment provider. During the reporting period, Finger Fun has implemented prime copyright incubation scheme and taken the lead on HTML5 games and collaboration between films and games. Finger Fun is currently under the progress of transformation from a domestic mobile game publisher to a global mobile entertainment provider.

#### ***Prime copyrights layouts***

During the reporting period, the Company has strengthened the layouts of prime copyrights and implemented prime copyright incubation scheme. On 13 May 2016, the Company has entered into a purchase and sales agreement to acquire 35% of equity interests in Beijing Jiangwen Information Technology Co., Ltd. (“Beijing Jiangwen”). Meanwhile, 65% of remaining equity interests in Beijing Jiangwen was acquired by Liu Xiaosong (“Mr. Liu”), the chairman of the Board and executive Director of the Company, through an indirect wholly-owned company.

Beijing Jiangwen is principally engaged in incubation and operation of prime copyrights, including but not limited to the provision of pay-to-read services on Beijing Jiangwen's websites; and the licensing of authorization to use and adaptation to cartoons, comics, audio works, mobile games, network drama, television drama and movies. Popular online literature works can accumulate substantial fans through internet platforms, which generate extremely strong copyrights synergies. It achieved cross-value conversion from online literature works to other fields including movies, TV drama and games, which showed a massive space for adding values to prime copyrights.

#### ***Mobile game publishing business***

During the reporting period, in addition to the published games including “PaPa Three Kingdoms” (「啪啪三國」) on Android platforms, “Release the General” (「關門放呂布」) and “Hunger for World Conquest HTML5” (「我欲封天HTML5」), a number of user-end games, such as “Trouble of Clans” (「部落特煩惱」) and a number of HTML5 games, such as 「熱血球球HTML5」 and “Burning Brother HTML5” (「燃燒吧二弟HTML5」) were newly published.

In the first half of 2016, “PaPa Three Kingdoms” (「啪啪三國」) on Android version has attracted the return of veteran users through version updates and promotion activities while obtaining new users by enhancing its market exposure. Benefited from precise management and early user acquisition, “PaPa Three Kingdoms” (「啪啪三國」) maintained its average monthly turnover at approximately RMB3 million since its launch for nearly 3 years, which is beyond our expectation. Since the launch of “Hunger for World Conquest HTML5” (「我欲封天HTML5」), its maximum monthly turnover reached nearly RMB1 million. 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H5遊戲」) under the Golden Pocket Award (「金口袋獎」) and 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」).

During the reporting period, Finger Fun has introduced a number of games, such as 「天空傳說」, 「全民大拉轟」 and 「熱血球球HTML5」, as our product reserves, of which, 「熱血球球HTML5」 has been published in June 2016. The remaining products are expected to be published in the second half of 2016.

During the reporting period, Finger Fun focused on HTML5 games. Following the successful operation of “Hunger for World Conquest HTML5” (「我欲封天HTML5」), Finger Fun has published a number of new HTML5 games, including 「熱血球球HTML5」 and “Burning Brother HTML5” (「燃燒吧二弟HTML5」). Amongst them, the publication of 「熱血球球HTML5」 facilitated to fill the market gap in HTML5 sport games

During the reporting period, Finger Fun has made pilot overseas publishing to publish games in overseas markets. In the first half of the year, “Release the General” (「關門放呂布」) was firstly published in Hong Kong. In May 2016, Finger Fun has formed its professional overseas publishing team as talent reserve for the upcoming games publishing in second half of the year.

### ***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 a number of performance activities during the first half of 2016 with diversified activity styles such as artists or band performance, concerts, fans meeting, press releases, charitable activities and live broadcast, etc. Artists invited are becoming more international which include MIKA, a UK music genius, Will Jay, an American Chinese singer, Soft Lipa, a Taiwanese hip hop singer and a number of artists and bands from Hong Kong and Mainland China. Singers who used our studio include Yang Yuying, a Chinese singer, Han Lei, a Chinese singing genius and Aya Liu, a famous Taiwanese host and singer, etc. 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.

Duomi Music Holding Limited (“Duomi Music”) has started the strategic corporation with Migu Culture and Technology Co., Ltd. (“Migu Culture”), a wholly-owned subsidiary of China Mobile Communications Corporation (“China Mobile”) during the reporting period. As the exclusive music partner of China Mobile, Duomi Music has jointly established a corporative membership system to generate more users and revenue by corporative operational promotion with Migu Culture and create a new revenue growth by the means of being the content provider of Migu Culture. For “Oops” (「偶撲」) platform, a new internet+entertainment business model has been adopted. Integrating the advantageous entertainment resources of the upstream and downstream in the entertainment industry chain as owned by the Company, “Oops” platform is targeted to be built as the largest platform for fans interaction in China, satisfying the fans organization in terms of fans recruitment, fund-raising, management of fans group, supports and live broadcasts. Up to the present, “Oops” platform has entered into several thousands of fans groups in China.

During the reporting period, Duomi Music has continued to work on the listing matters of Beijing Duomi Online Technologies Co. Ltd. (「北京多米在線科技股份有限公司」) (“Beijing Duomi”, formerly known as Beijing Caiyun Online Technologies Co. Ltd. (「北京彩雲在線技術開發有限公司」) (“Beijing Caiyun”)), a domestic operating entity, which has submitted application to the National Equities Exchange and Quotations System on 31 May 2016 and expected to be listed by 2016.

Duomi Music has successfully incubated “Inke”, a mobile video live broadcast platform, in 2015. According to a report published by “QuestMobile”, a domestic mobile big data service provider, the Monthly Active User (“MAU”) of network live broadcast App has recorded an explosive growth during the reporting period, representing a year-on-year increase of 156.2%. Among all live broadcast Apps, MAU of Inke Live Broadcast platform reached 35.24 million in June 2016, which successfully ranked in the first tier of network live broadcast Apps. According to QuestMobile’s information, Inke ranked in the first place in terms of activation on iOS and Android platforms, which are rated at 63.6% and 60.8%, respectively.

### ***A8 Music Building***

A8 Music Building is located near to the Central Business District of Nanshan District, Shenzhen, which belongs to the Software Industry Park area. The total building area of A8 Music Building exceeds 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 RMB27.63 million in the first half of 2016, representing an increase of approximately 20% as compared to that of the same period last year.

### **Business outlook for the second half of 2016**

In the second half of 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, and to seek the incubation and operations of copyrights.

## ***Prime mobile games publishing platform***

### *Strengthening the layout of prime copyrights and incubating prime copyrights*

In the second half of 2016, Finger Fun will continue to strengthen its copyright layout and accelerate the incubation and operation of prime copyrights. “Crazy Journey to the West” (「狼西遊」), which was planned to publish in the second half of 2016, is the first incubation attempt towards prime copyright by Finger Fun, which has experienced the incubation process from comics to animation to games. Upon the Group’s acquisition of 35% equity interests of Beijing Jiangwen, Finger Fun will further reinforce the deep corporation in the field of copyrights with Beijing Jiangwen, as Beijing Jiangwen reserves substantial amount of prime literature copyrights, Finger Fun will deeper excavate and maximize the values of copyright, and expand to accessory market based on prime copyrights, with the coverage including cartoon, animation, vocal products, mobile games, network drama, TV drama and movies.

### *Strengthening the game publishing business overseas and consolidating prime game publishing in subdivided fields*

In the second half of 2016, Finger Fun will continue to operate the published games, besides this, it plans to publish a series of new games such as 「天空傳說」 and 「全民大拉轟」. In the second half of 2016, Finger Fun has planned to leverage the newly established professional overseas publishing team to reinforce the overseas publishing business. Meanwhile, Finger Fun will further excavate creative, highlighted and innovative mobile games, and further expand its market share by precise management and strong ability in channelization and precise marketing strategies.

## ***Music-based entertainment industry chain based on mobile internet***

In the second half of 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. A8Live will further be operated in terms of performers by inviting the artists who are most desirable and favorite to the audience. In the second half of 2016, A8Live is planning to introduce a well-known music education brand to jointly establish a music training center, providing a platform to learn, interact 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 and produce their own songs, MV and short films which further creating the values of copyrights. In the second half of 2016, the Company will further plan to execute an electronic music project and operate with a well-known Korean musicians and music company to jointly introduce resources such as Korean DJ, artists and music festivals, etc, to explore the music entertainment business.

For Duomi Music, the new listing matters of Beijing Duomi is expected to complete in the second half of 2016, which will become the first internet music concept company listed in China. In the second half of 2016, Duomi Music will continue to enhance the corporation with China Mobile and commence a comprehensive corporation with Migu Music, Migu performance arts, Migu Reading, Migu Video and Migu Running, which are under China Mobile, to establish activities including joint membership, joint operation of fan club and joint



marketing promotion. In the second half of 2016, we will also further develop “Oops” platform as the largest fans interactive platform in China through deep corporations between celebrities and fan clubs offline and online, completing the VIP membership design, optimizing the management function of fans clubs and function of fans activity organization and developing a comprehensive corporation amongst multi-dimensional entertainment marketing system with multiple network shows.

### ***A8 Music Building***

In the second half of 2016, as the auxiliary facilities in the regions where the buildings are located are becoming mature, and the traffic is increasingly 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.

## **FINANCIAL REVIEW**

### **Revenue and profit attributable to equity holders of the Company**

For the six months ended 30 June 2016, the revenue of the Group amounted to approximately RMB92.6 million, representing an increase of approximately 36.4% as compared with the corresponding period in 2015 (2015: approximately RMB67.9 million).

### ***Digital entertainment services***

For the six months ended 30 June 2016, the revenue of digital entertainment services of the Group amounted to approximately RMB65.0 million, representing an increase of approximately 44.8% as compared with the corresponding period in 2015 (2015: approximately RMB44.9 million). The increase was resulted from the increase of game related services amounted to approximately RMB21.0 million.

### ***Property investment business***

For the six months ended 30 June 2016, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB27.6 million, representing an increase of approximately 20.0% as compared with the last corresponding period (2015: approximately RMB23.0 million). The increase was mainly due to the increased occupancy rate and unit rental resulted from high quality property management services.

For the six months ended 30 June 2016, the profit attributable to equity holders of the Company amounted to approximately RMB16.4 million, representing a significant increase of approximately 180.3% as compared with the corresponding period in 2015 (2015: approximately RMB5.8 million). The significant improvement of the Group’s profit was mainly due to the combined effect of increase in recognition of deferred game related revenue and cost savings due to the effective cost control activities implemented during the period.



## **Cost of services provided**

For the six months ended 30 June 2016, the cost of services provided of the Group amounted to approximately RMB52.3 million, representing an increase of approximately 23.7% as compared with the corresponding period in 2015 (2015: approximately RMB42.2 million).

### ***Digital entertainment services***

For the six months ended 30 June 2016, the cost of services provided of digital entertainment services amounted to approximately RMB44.6 million, increased by approximately 25.7% as compared with the corresponding period in 2015 (2015: approximately RMB35.5 million). It mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as music copyrights, game publishing rights and direct labor costs.

Revenue shared with mobile operators and distribution channels mainly ranged from 30% to 60% of total digital entertainment services revenue received from mobile users and it averaged at approximately 50.4% for the six months ended 30 June 2016 (2015: approximately 45.6%), while revenue shared with business alliances averaged at approximately 15.2% of total digital entertainment services revenue for the six months ended 30 June 2016 (2015: approximately 23.9%). The changes of the average cost ratios were mainly due to the change in product mix.

### ***Property investment business***

For the six months ended 30 June 2016, the cost of services provided of property investment business amounted to approximately RMB7.6 million, increased by approximately 13.1% as compared with the corresponding period in 2015 (2015: approximately RMB6.7 million). It mainly comprised of employee's compensation, utility charges and other maintenance costs in relation to the investment property.

## **Gross profit**

For the six months ended 30 June 2016, the gross profit of the Group amounted to approximately RMB39.4 million, representing a significant increase of approximately 61.7% as compared with the corresponding period in 2015 (2015: approximately RMB24.4 million). The overall gross margin ratio of the Group was approximately 42.5%, as compared with approximately 35.9% for the last corresponding period. The increase of gross profit and the overall gross margin ratio was mainly resulted from the contribution of digital entertainment services.

## **Other income and gains, net**

For the six months ended 30 June 2016, the other income and gains of the Group were approximately RMB15.8 million, as compared with a net gain of approximately RMB31.5 million for the last corresponding period, representing a decrease of approximately 49.9%. The decrease was mainly due to the decrease in the imputed interest income generated from preferred shares and convertible notes and fair value gain on investment properties amounted to approximately RMB9.2 million and RMB9.0 million, respectively, which were partly offset by the increase of foreign exchange gain of approximately RMB2.2 million.

## **Selling and marketing expenses**

For the six months ended 30 June 2016, the selling and marketing expenses of the Group amounted to approximately RMB8.6 million, slightly increased by 3.3% as compared with the corresponding period in 2015, representing approximately 13.2% of the digital entertainment services revenue (2015: approximately RMB8.3 million, representing approximately 18.5% of digital entertainment services revenue).

The increase in selling and marketing expenses was mainly due to the increase of labor cost of approximately RMB1.0 million which were partly offset by the decrease of marketing and promotion expenses amounted to approximately RMB0.5 million. The decrease in the ratio to digital entertainment services revenue was attributable to the efficient marketing strategy implemented during the period.

## **Administrative expenses**

For the six months ended 30 June 2016, the administrative expenses of the Group amounted to approximately RMB16.2 million, representing a decrease of 23.3% as compared with the corresponding period in 2015 (2015: approximately RMB21.1 million), which resulted from effective cost control activities carried out during the period.

## **Share of losses of associates**

For the six months ended 30 June 2016, the Group shared losses of associates amounted to approximately RMB7.5 million, representing a decrease of 23.1% as compared with approximately RMB9.8 million in the last corresponding period. The decrease was mainly due to the decrease of shared loss of Beijing Duomi amounted to approximately RMB3.7 million.

## **Tax**

For the six months ended 30 June 2016, income tax of the Group amounted to approximately RMB3.4 million, as compared with approximately RMB4.8 million for the corresponding period in 2015.

The effective tax rate of the Group was approximately 17.0% in the six months ended 30 June 2016 (2015: approximately of 46.3%). 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 2016. The decrease in tax expense was mainly due to the decrease of the deferred tax liabilities in relation to the appreciation of investment property of approximately RMB2.2 million.

## **Non-current assets**

As at 30 June 2016, the total non-current assets of the Group amounted to approximately RMB653.5 million (2015: approximately RMB642.8 million), increased by approximately RMB10.7 million. The increase was mainly due to the increase of available-for-sale investments and fair value increase of investment properties amounted to approximately RMB10.0 million and RMB9.0 million, respectively, which were partly offset by the decrease of conversion options embedded in preferred shares amounted to approximately RMB6.3 million.

## **Current assets and current liabilities**

As at 30 June 2016, the total current assets of the Group amounted to approximately RMB566.0 million (2015: approximately RMB635.1 million), decreased by approximately RMB69.1 million.

The decrease was mainly due to the decrease of prepayments, deposits and other receivable of approximately RMB102.7 million resulted from the repayment of principal and interest of convertible notes of Duomi Music and the decrease of trade receivables amounted to approximately RMB9.4 million, which were partly offset by the increase in cash and cash equivalents, available-for-sale investments and restricted cash of approximately RMB43.1 million in aggregate. Trade receivables amounted to approximately RMB13.7 million (2015: approximately RMB23.1 million), and the turnover days of trade receivables was approximately 36 days (2015: approximately 67 days).

As at 30 June 2016, the total current liabilities of the Group amounted to approximately RMB82.0 million (2015: approximately RMB163.9 million), decreased by approximately RMB81.9 million. The decrease was mainly resulted from the decrease in other payables and accruals and deferred income amounted to approximately RMB77.6 million and RMB8.6 million, which were partly offset by the increase of trade payables of approximately RMB4.3 million. The decrease in other payables and accruals were mainly resulted from the refund of refundable collateral security for receivables on redemption of convertible notes to Duomi Music amounted to approximately RMB60.0 million.

## **Liquidity and financial resources**

As at 30 June 2016, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash, available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately RMB540.1 million (2015: approximately RMB497.1 million). Among which, approximately RMB299.3 million, or approximately 55% was denominated in RMB.

As at 30 June 2016, 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 30 June 2016, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

### **Human resources**

As at 30 June 2016, the Group had 122 employees (as at 30 June 2015: 174 employees). However, the average headcounts of the period was 135 while it was 162 for the corresponding period in 2015. Total employee costs for the six months ended 30 June 2016, including directors' emoluments, amounted to approximately RMB14.0 million (2015: approximately RMB16.0 million). The decrease in employee costs was mainly resulted from the labor adjustment in relation to business restructuring.

Employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed regularly. A share option scheme and a share award scheme have also been put in place for the Company to encourage employees to work towards enhancing the value of the Company and promote the long-term growth of the Company. Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

### **Event after the reporting period**

On 13 May 2016, the Group has entered into a sale and purchase agreement with independent third parties to acquire 35% equity interests in Beijing Jiangwen for a cash consideration of RMB192.5 million. Beijing Jiangwen is principally engaged in incubation and operation of prime copyrights. Subsequent to the end of the reporting period on 12 August 2016, the Group has obtained approval from shareholders of the Company at an extraordinary general meeting for the acquisition. The transaction has not been completed as at the date of approval of this interim results announcement.

## **OTHER INFORMATION**

### **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period ended 30 June 2016, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **SUBSEQUENT EVENTS**

Reference is made to the announcement of the Company dated 15 August 2016 in relation to the change of Chief Financial Officer. Mr. Liu Pun Leung will cease to be the Chief Financial Officer of the Company on 1 September 2016, and Mr. Liu Pun Leung will remain as the Executive Director, Company Secretary and one of the Authorised Representatives under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of the Company. Mr. Lin Qian (“**Mr. Lin**”) will be appointed as the Chief Financial Officer of the Company.

Mr. Lin, aged 33, graduated from Imperial College London in 2006 with a Bachelor’s degree in Material Science and Engineering. Prior to joining the Company, he was a senior auditor at Ernst & Young from October 2006 to October 2009 and an investment manager at Shanghai Dong Fang Hui Jin (上海東方惠金文化產業投資有限公司) from October 2009 to May 2011. He was also a vice president of the investment banking department at Hua Tai United Securities Co., Ltd. (華泰聯合證券有限公司) from May 2011 to June 2014 and a director at CVCapital (投中資本) from June 2014 to August 2016. Mr. Lin has over 10 years of experience in capital operations and project management in relation to mergers and acquisitions and he is also familiar with capital markets in the People’s Republic of China and abroad and is proficient in capital operations. Mr. Lin is also experienced in auditing, corporate internal control and team management.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the period ended 30 June 2016, all the code provisions set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the “**CEO**”) to be performed by different individuals.

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 better 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 reporting period.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Own Code which covers the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing the directors’ dealings in the Company’s securities. Having made specific enquiries with all the Directors, they all confirmed that they have complied with the required standards set out in the Own Code (covering the Model Code) throughout the period under review.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended 30 June 2016.

## **PUBLICATION OF 2015 INTERIM RESULTS AND INTERIM REPORT**

The 2016 interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://ir.a8.com> and <http://www.a8nmg.com>). The 2016 interim report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company on or about Wednesday, 7 September 2016.

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

Hong Kong, 24 August 2016

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

- (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 Shihong and Mr. Li Feng.*