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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 2014

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2014, the revenue amounted to approximately RMB115.4 million, representing an increase of 20.6% from approximately RMB95.7 million for the same period in 2013.
- Profit attributable to the shareholders for the six months ended 30 June 2014 amounted to approximately RMB1.4 million while loss attributable to the shareholders amounted to approximately RMB45.3 million for the same period in 2013.
- Strong balance sheet, with cash and bank balance and highly liquid short term assets of approximately RMB423.2 million and net assets of approximately RMB789.0 million as of 30 June 2014.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2014. The Interim Accounts have not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND OUTLOOK

Business Review for the first half of 2014

Mobile internet: China's mobile internet population further increased in the first half of 2014 with the rising smartphone penetration rate, the improving network environment and the decline of data streaming expenses following the development of 3G, 4G and WIFI networks. According to the data published by China Internet Network Information Center ("CNNIC"), China's internet population hit 630 million as at June 2014, the proportion of mobile internet user increased from 81.0% in 2013 to 83.4% in 2014. Mobile internet population has first exceeded PC and mobile device, and has become the major access channel to internet which led to rapid growth of mobile internet industry in the first half of 2014. According to iResearch, the market size of China's mobile internet industry surged to RMB80.1 billion in first half of 2014, representing an increase of 106.2% as compared with the same period in 2013. Among which, entertainments such as music and games related services are becoming more popular.

Mobile music: Mobile music is one of the most popular entertainments along with rapid growth of mobile internet and its population has been increasing steadily. According to the data published by CNNIC, China's mobile music population hit 480 million as at June 2014, representing 77.2% of the total mobile internet population and an increase of 7.2% compared with that as at the end of 2013. The growth of mobile internet has led to the growth of mobile music industry, business models such as online performance, traffic monetization, advertising, and value-added services are gradually formed.

Mobile games: The Report of Games Industry in China published by the Games Publishing Working Committee of China Audio-video and Digital Publishing Association shows that the revenue of China's games industry achieved the highest growth rate in the first half of 2014 since the past five years. Among which, the mobile games market reached the highest growth: 1) the mobile game user population reached 330 million in the first half of 2014, representing an increase of 89.5% as compared with the same period in 2013; 2) the revenue of the mobile games market surged to RMB12.5 billion in the first half of 2014, representing an increase of 395% as compared with the same period in 2013, which exceeded the total revenue of RMB11.2 billion in the whole year of 2013; 3) the market share of mobile games market increased from 7.5% in the first half of 2013 to 25.2% in the first half of 2014.

As stated in our 2013 annual report, the Group has positioned itself to become a new digital entertainment group by focusing on the development of a **music-based entertainment industry chain based on mobile internet** and **prime games publishing platform**. In first half of 2014, the Company has followed its strategic layout and changed its name from "A8 Digital Music Holdings Limited" into "A8 New Media Group Limited".

Music-based entertainment industry chain based on mobile internet

In first half of 2014, the Group continued to strengthen its music business through contents, channels and products.

In terms of contents, the Group continued to optimize the UGC platform-A8.com. During the first half of 2014, the Group hosted the “SING China’s original pop music competition” with Nanshan District Government of Shenzhen, and the “Eleventh competition for praising China” with the Guangdong Provincial Party Committee Publicity Department, both competitions helped the Group in collecting user-generated music content and promote the development of original music in China.

In terms of channels, the Group continued to operate the traditional business and strengthened the cooperation with mobile operators while focusing on projects with higher yield.

In terms of products, the Group strengthened its cooperation with Duomi Music Holding (Cayman) Company Limited (the “**Duomi Music**”) by way of subscribing its convertible bonds. Leveraging on its huge user base, Duomi Music has been making effort to explore business models and achieved remarkable results. The revenue of Duomi Music in the first half of 2014 represented an increase of 85% as compared with the same period in 2013 with a higher revenue growth in data-streaming and advertising services. Meanwhile, Duomi Music made consistent efforts on products, users and hardware in order to differentiate itself from its competitors, including: i) in terms of users, Duomi Music continued to expand its user population through extensive cooperation with mobile manufacturers and mobile internet companies. According to the industry study report published by EnfoDesk, Duomi Music has accumulated over 250 million activated users as of 30 June 2014, ranked the third with a market share of 13.5% in terms of China’s mobile music user population. Duomi Music won the prize “the Best Entertainment Applications” in the Third Anniversary of Mobile Internet Fist Award in 2014; ii) in terms of products, Duomi Music launched version 6.0, which not only enhanced user experience, but also added a new module called “Sweet Words [蜜語]” with the function of emotion interaction among users. Sweet Words is a live interactive platform targeting female users. Users can initiate a live channel through their mobile devices in any place at any time, interact with their friends or audience on a real-time basis, and sing karaoke or send virtual gifts in order to increase their senses of satisfaction and achievement; iii) in terms of hardware, Duomi Music launched the first Duomi branded hardware called “Duomi Crystal Earphone [多米晶飾耳機]” in June 2014 to provide an integrated service of software and hardware. Leveraging on its huge users base, Duomi Music picked Duomi Crystal Earphone as a stepping stone to enter the music-oriented hardware market. By integrating music-oriented hardware and mobile music application, the businesses of Duomi Music will be spread out across various kinds of intelligent terminals which will create an optimum ecosystem in the digital music industry and further consolidate its leading position in the mobile internet industry.

Prime games publishing platform

In the first half of 2014, the Group expedited to strengthen mobile games publishing business and devoted Finger Fun [指遊方寸] as a prime game publishing platform.

In the first half of 2014, Finger Fun mainly operated and promoted “PaPa Three Kingdoms「啪啪三國」” on Android platforms in China, and had made certain achievements, the turnover of PaPa Three Kingdoms exceeded RMB50 million since its launch. In terms of the exploration of high quality mobile games, Finger Fun has obtained the exclusive publishing right of four mobile games on both iOS and Android platforms in China including Gods Throne (「眾神王座」), Oh! My God (「我的神啊」), Arcade Heroes (「街機群英傳」) and the Venator (「Venator」). The Venator was introduced from Korea and has been successfully published in Korea.

In addition, the Company subscribed for about 6% interest in Qingsong Fund II for the total consideration of RMB20 million in January 2014. The Company is able to access the upstream of the mobile game industry (the development phase) at early stage and to connect it with downstream to form a complete chain of mobile game publishing business through the investment in Qingsong Fund II. Meanwhile, as one of the limited partners of Qingsong Fund II, the Company may also explore potential merger and acquisition opportunities which help the Group speeding up its layout of mobile internet and assist its development of mobile internet business.

In addition, the Group extended its cooperation with other mobile game applications by leveraging on its advantageous integrated payment channel and resources through its user behavior analysis and channel resources accumulated in the past years.

A8 Music Building

A8 Music Building, with total building area of over 50,000 square meters, officially started its commercialized operation in the first half of 2014. The rental income and management fee generated from the building will bring consistent and stable cash flows for the Company to support its future business development.

Business outlook for the second half of 2014

Looking into the second half of 2014, the Group will sustain its effort on creating the music-based entertainment industry chain based on mobile internet and the prime game publishing platform, and will strengthen the business operation from the following aspects:

Music-based entertainment industry chain based on mobile internet

In terms of music contents, the Group will continue strengthening the sourcing of music content through diversified ways.

In terms of music channels, the Group will continue the cooperation with mobile operators while focusing on projects with higher yield.

In terms of music products, Duomi Music will continue to seek product differentiation for new breakthroughs. Duomi Music will launch additional online real-time interactive programs with high quality targeting young female users in order to build up its reputation among such user group.

Meanwhile, user privilege services will be launched so that VIP users of Duomi Music will be entitled to more practical and beneficial privileges so as to improve their loyalty and stickiness. In terms of business model, Duomi Music will further enhance current revenue sources and explore other new revenue sources by: i) extending the data streaming cooperation with other mobile operators in addition to China Unicom; ii) improving efficiency of current advertising scheme and exploring additional advertising options; iii) strengthening mobile games cooperation and enhancing user operation to increase interactive entertainment revenue through Sweet Words; vi) promoting Duomi Crystal Earphone in order to create a branding layout for Duomi Music to further expand its hardware business.

Prime games publishing platform

In terms of new mobile games introduction, the Group obtained the exclusive publishing right of a new mobile game with three kingdom feature on both iOS and Android platforms in China in August 2014 in addition to the exclusive publishing right of four mobile games obtained in the first half of 2014. The Company plans to commence the commercial operation of the five mobile games mentioned above in the second half of 2014. At present, the Gods Throne (「眾神王座」) and the Arcade Heroes (「街機群英傳」) have completed closed testing, the Oh! My God (「OMG我的神啊」) has completed technical testing and the Venator is under the preparation for localization, and the remaining game was in the process of optimization by the developer.

The Group is aware of the importance of intellectual property rights in self-developed mobile games. Finger Fun started to cooperate with authors in order to obtain intellectual property rights directly from them, and has obtained an exclusive edition right of a network literature work named “Hunger for World Conquest” (「我欲封天」) in the field of mobile game publication in August 2014. The Hunger for World Conquest was a recent top-selling network literature on the website of Starting Point Chinese Literature under the Shanda Literature Group. The Company believes that such network literature work and mobile game share lots of common features such as content and user group, and the success rate of developing a mobile game based on a popular literature work is generally higher, therefore the Company plans to cooperate with a third party developer to develop a mobile game based on the above-said network literature work.

Although Finger Fun is currently focusing on prime mobile games publishing business in China, it has also deployed its layout in overseas mobile game publishing market through investment. The Report of Chinese Games Industry shows that Chinese self-developed games realized revenue of USD800 million in overseas market in the first half of 2014, representing an increase of 66.7% as compared with the same period of 2013. Considering the good overseas performance of various Chinese mobile games especially in Asia, Finger Fun invested in the BIGBANG group which mainly engages in the worldwide publication business of mobile games and mobile applications in July 2014. The Group will complete its layout in overseas mobile game publishing business through the investment in BIGBANG and such investment will help the Group forming a complete mobile game publication chain worldwide. Meanwhile, Finger Fun can also explore and introduce outstanding overseas mobile games into China through its investment in the BIGBANG.

A8 Music Building

The Company plans to enter into the offline live music performance business. The construction of Live House Theater inside the A8 Music Building will be completed in the second half of 2014. Along with the gradual completion of surrounding business environment and the improvement of property management related services, the occupancy rate and rental income of A8 Music Building is expected to further improve.

A8 New Media Group has gradually formed competitive advantages in both mobile music and publication of mobile games. The Group will continue to focus on providing value for users to promote the rapid and sustainable development of the Group. The Board and the management of the Group will work more closely with all staffs for the sustainable development of the Group.

FINANCIAL REVIEW

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2014, the revenue of the Group amounted to approximately RMB115.4 million, representing an increase of approximately 20.6% as compared with the same period in 2013 (2013: approximately RMB95.7 million). Among which, revenues from music-based entertainment services and game-related entertainment services amounted to approximately RMB51.0 million (2013: approximately RMB67.3 million) and RMB60.9 million (2013: approximately RMB13.1 million), respectively.

The increase in revenue was mainly due to the steady development of the prime game publishing business after the successful completion of resources restructure during the second half of 2013. The Group has also obtained exclusive publication rights of several mobile games which are expected to generate revenue in the second half of 2014.

For the six months ended 30 June 2014, the profit attributable to equity holders of the Company amounted to approximately RMB1.4 million including fair value gain on investment property and share of losses of associates amounted to approximately RMB7.9 million and RMB2.8 million, respectively, compared to the loss attributable to equity holders of the Company of approximately RMB45.3 million for the last corresponding period.

Cost of services provided

For the six months ended 30 June 2014, the cost of services provided of the Group amounted to approximately RMB84.4 million, representing an increase of approximately 35.3% as compared with the same period in 2013 (2013: approximately RMB62.4 million). The cost of services provided 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 ranged from 30% to 50% of the total revenue received from mobile users and it averaged at approximately 44.6% of the total revenue for the six months ended 30 June 2014 (2013: approximately 41.0%). The increase was mainly due to the deterioration of revenue share ratio with mobile operators and the change in product mix due to the development of game publication business, which shared 40% to 50% of the total revenue with the distribution channel.

Revenue shared with business alliances averaged at approximately 22.6% of the total revenue for the six months ended 30 June 2014 (2013: approximately 16.1%), representing an increase of 6.5% as compared with the last corresponding period, which was mainly due to the change in product mix.

Gross profit

For the six months ended 30 June 2014, the gross profit of the Group amounted to approximately RMB29.3 million, representing a decrease of approximately 8.4% as compared with the same period in 2013 (2013: approximately RMB32.0 million). The overall gross margin ratio of the Group was 25.4%, as compared to 33.4% for the last corresponding period. The decrease was mainly due to the change in product mix which resulted in higher revenue sharing with third parties.

Other income and gains, net

For the six months ended 30 June 2014, the other income and gains of the Group were approximately RMB23.6 million, as compared to net gain of approximately RMB8.6 million for the last corresponding period.

The sharp increase was mainly due to the increase in rental and management fee income and fair value gain on investment properties both amounted to approximately RMB7.9 million, which was partly offset by the decrease in bank interest income of approximately RMB1.6 million.

Selling and marketing expenses

For the six months ended 30 June 2014, the selling and marketing expenses of the Group amounted to approximately RMB22.3 million, decreased by 19.8% as compared with the same period in 2013, representing approximately 19.4% of total revenue (2013: approximately RMB27.8 million, representing approximately 29.0% of total revenue). The decrease in selling and marketing expenses and its ratio to

total revenue were mainly due to the decrease in labor cost amounted to approximately RMB3.1 million resulted from labor adjustment in relation to business restructure and the change in product mix. Among the selling and marketing expenses, over 50% were the promotion and marketing cost related to the music-based entertainment services.

Administrative expenses

For the six months ended 30 June 2014, the administrative expenses of the Group amounted to approximately RMB21.8 million, decreased by approximately 18.3% as compared with the same period in 2013 (2013: approximately RMB26.7 million). The decrease was mainly driven by the decrease in rental expenses due to the office relocation to A8 Music Building and decrease in amortization of intangible assets both amounted to approximately RMB2.6 million.

Other expenses, net

For the six months ended 30 June 2014, other expenses, net of the Group amounted to approximately RMB0.5 million, compared to approximately RMB13.7 million for the last corresponding period which primarily reflected the fair value loss on conversion option embedded in the preferred shares of approximately RMB12.1 million.

Share of losses of associates

For the six months ended 30 June 2014, the Group shared losses of associate of Duomi Music amounted to approximately RMB2.8 million, compared to the shared losses of associates of Duomi Music and Ningmenghai amounted to approximately RMB17.2 million and RMB0.4 million, respectively, in the last corresponding period.

Tax

For the six months ended 30 June 2014, income tax of the Group amounted to approximately RMB1.0 million, as compared to approximately RMB0.6 million for the same period in 2013.

The effective tax rate of the Group was approximately 50.4% in the six months ended 30 June 2014 (2013: approximately negative of 1.3%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 12.5%, 15%, 25% in the respective operating subsidiaries of the Group in 2014, the same as last corresponding period. The tax expense for the period was the combined effect of the deferred tax and the income tax final settlement differences for 2013.

Non-current assets

As at 30 June 2014, the total non-current assets of the Group amounted to approximately RMB422.9 million (2013: approximately RMB389.2 million). The increase was mainly due to the increase in deposit for acquisition of convertible notes issued by Duomi Music and investment properties amounted to approximately RMB20.0 million and RMB18.2 million, respectively.

Current assets and current liabilities

As at 30 June 2014, the total current assets of the Group amounted to approximately RMB495.1 million (2013: approximately RMB546.2 million). Accounts receivable amounted to approximately RMB42.3 million (2013: approximately RMB51.1 million), and the turnover days of accounts receivable is approximately 73 days (2013: approximately 99 days).

As at 30 June 2014, the total current liabilities of the Group amounted to approximately RMB103.5 million (2013: approximately RMB122.0 million). The decrease was mainly resulted from the decrease in other payables and accruals amounted to approximately RMB15.6 million, which was mainly related to the construction cost of A8 building.

Liquidity and financial resources

As at 30 June 2014, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, time deposits with original maturity of more than three months and financial assets at fair value through profit or loss amounted to approximately RMB423.2 million (2013: approximately RMB475.9 million). Approximately RMB338.9 million or approximately 80% of them were denominated in RMB.

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 Renminbi.

Due to exchange rate movement during the period, the Group had made certain amount of financial instrument for hedging against both the interest and exchange rate risks as at 30 June 2014.

Human resources

As at 30 June 2014, the Group had 174 employees (as at 30 June 2013: 233 employees). Total employee costs for the six months ended 30 June 2014, including directors' emoluments, amounted to approximately RMB17.5 million (2013: approximately RMB21.9 million).

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.

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of an interim dividend for 2014.

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

During the period ended 30 June 2014, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2014, 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 2014. 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 2014.

PUBLICATION OF 2014 INTERIM RESULTS AND INTERIM REPORT

The 2014 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>). The 2014 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 Monday, 1 September 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue		115,435	95,724
Business tax		(1,676)	(1,349)
Net revenue	3	113,759	94,375
Cost of services provided		(84,443)	(62,415)
Gross profit		29,316	31,960
Other income and gains, net	3	23,596	8,569
Selling and marketing expenses		(22,345)	(27,792)
Administrative expenses		(21,787)	(26,665)
Other operating expenses		(3,470)	–
Other expenses, net		(503)	(13,691)
Share of losses of associates		(2,818)	(17,566)
Share of profit/(loss) of a joint venture		49	(132)
PROFIT/(LOSS) BEFORE TAX	4	2,038	(45,317)
Income tax expense	5	(1,028)	(586)
PROFIT/(LOSS) FOR THE PERIOD		1,010	(45,903)
Attributable to:			
Owners of the Company		1,418	(45,263)
Non-controlling interests		(408)	(640)
		1,010	(45,903)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7		
Basic (RMB per share)		0.1 cent	(4.3 cents)
Diluted (RMB per share)		0.1 cent	(4.3 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2014*

		30 June 2014	31 December 2013
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	126,756	132,563
Investment properties		229,000	210,800
Prepaid land lease payments		12,877	13,855
Goodwill		1,515	1,515
Available-for-sale investment	9	6,000	–
Prepayment for acquisition of items of property, plant and equipment		–	1,051
Intangible assets		4,311	6,799
Investment in associates		3,278	3,318
Investment in a joint venture		3,409	3,360
Deferred tax assets		2,711	2,906
Conversion option embedded in preferred shares	10	13,015	13,015
Deposit for acquisition of convertible notes	11	20,000	–
		<hr/>	<hr/>
Total non-current assets		422,872	389,182
		<hr/>	<hr/>
CURRENT ASSETS			
Accounts receivable	12	42,348	51,141
Prepayments, deposits and other receivables		29,516	19,081
Financial assets at fair value through profit or loss	13	70,178	10,316
Restricted cash balances		8,579	16,476
Time deposits with original maturity of more than three months		51,203	–
Cash and cash equivalents		293,257	449,157
		<hr/>	<hr/>
Total current assets		495,081	546,171
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	14	26,894	28,967
Other payables and accruals		64,559	80,126
Tax payable		4,507	5,160
Deferred income		7,510	7,770
		<hr/>	<hr/>
Total current liabilities		103,470	122,023
		<hr/>	<hr/>
NET CURRENT ASSETS		391,611	424,148
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		814,483	813,330
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 30 June 2014*

		30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		15,702	14,644
Deferred income		9,785	12,800
		<hr/>	<hr/>
Total non-current liabilities		25,487	27,444
		<hr/>	<hr/>
Net assets		788,996	785,886
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>15</i>	11,914	11,914
Reserves		778,731	775,213
		<hr/>	<hr/>
		790,645	787,127
Non-controlling interests		(1,649)	(1,241)
		<hr/>	<hr/>
Total equity		788,996	785,886
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements 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 statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except in relation to the following new and 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:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

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

2. OPERATING SEGMENT INFORMATION

The directors consider that the Group’s activities constitute one operating segment as the Group is principally engaged in providing digital entertainment services including music-based entertainment and game-related services in the People’s Republic of China (the “PRC” or “Mainland China”). Management makes decisions about resource allocation and performance assessment on a group basis.

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.

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value and estimated value of services rendered.

An analysis of revenue and other income and gains, net, is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Music-based entertainment		
Ringback tone services	33,921	52,080
Other music related services	17,073	15,242
<i>Sub-total</i>	<u>50,994</u>	<u>67,322</u>
Game-related revenue		
Game publishing services	42,911	–
Other game-related services	18,031	13,091
<i>Sub-total</i>	<u>60,942</u>	<u>13,091</u>
Other entertainment revenue	<u>3,499</u>	<u>15,311</u>
	115,435	95,724
Less: Business tax	(1,676)	(1,349)
Net revenue	<u>113,759</u>	<u>94,375</u>
Other income and gains, net		
Interest income	4,761	6,358
Rental and management fee income	7,933	–
Fair value gains on investment properties	7,924	–
Imputed interest income	2,778	2,211
Foreign exchange differences, net	186	–
Others	14	–
	<u>23,596</u>	<u>8,569</u>

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	833	717
Amortisation of intangible assets	2,488	4,706
Amortisation of prepaid land lease payments	158	292
Foreign exchange differences, net	186	1,630
Fair value loss on financial assets at fair value through profit or loss	638	2,899
Fair value loss on conversion option embedded in preferred shares	–	12,117
Write-back of impairment of other receivable	(1,500)	–
Write-back of impairment of accounts receivable	–	(1,545)
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

An analysis of income tax charges for the six months ended 30 June 2014 and 2013 is shown as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Group		
Current – PRC		
Charge for the period	–	386
(Overprovision)/underprovision in the prior year	(225)	69
Deferred	1,253	131
	<u> </u>	<u> </u>
Total tax charge for the period	<u>1,028</u>	<u>586</u>

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 2014 and 2013, 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.

6. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount for the six months ended 30 June 2014 is based on the profit for the period attributable to equity holders of the Company of RMB1,418,000 (six months ended 30 June 2013: loss of RMB45,263,000) and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2014 of 1,406,051,125 (six months ended 30 June 2013: 1,046,666,499).

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit for the period attributable to equity holders of the Company of RMB1,418,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is 1,406,051,125 ordinary shares in issue less shares held under the share award scheme during the six months ended 30 June 2014, as used in the basic earnings per share calculation, and the weighted average of 23,107,408 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2013 in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic loss per share amount presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB2,384,000 (six months ended 30 June 2013: RMB32,943,000).

9. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2014, the available-for-sale investment of RMB6 million represented the first subscription of approximately 6% interest of Qingsong Fund II pursuant to a partnership agreement dated 24 January 2014 entered into between other partners and Shenzhen Zhangyi Tianxia Technology Company Limited, a wholly-owned subsidiary of the Company, for a total investment of RMB20 million. Qingsong Fund II is mainly investing in the mobile Internet and Internet industry and is focusing on creative enterprises at their initial stage of foundation and/or their early and medium stage of development within the industry.

10. DEBT PORTION OF PREFERRED SHARES AND CONVERSION OPTION EMBEDDED IN PREFERRED SHARES

On 14 December 2012 (the “Completion Date”), Phoenix Success Limited (“Phoenix Success”), a wholly-owned subsidiary of the Company, subscribed for 13,853,868 convertible redeemable preferred shares (the “preferred shares”) at US\$0.43 each for cash issued by Duomi Music Holding Limited (“Duomi Music”), an associate of the Group. All the above preferred shares can be converted into ordinary shares at US\$0.43 per share (subject to adjustments). The major terms of the preferred shares are set out below:

- (i) Phoenix Success has the option to request all (but not less than all) the preferred shares it holds to be converted at any time, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares in Duomi Music.
- (ii) From the beginning of the forth anniversary of the Completion Date, Phoenix Success has the right to request Duomi Music to redeem all (but not less than all) of the preferred shares held by Phoenix Success for a redemption price per share equal to 140% of the subscription price of the preferred shares plus all accrued but unpaid dividends (subject to adjustment).

The Group classified the debt portion of the preferred shares in Duomi Music as loans and receivables and the conversion option in preferred shares is deemed as held for trading and recognised at fair value through profit or loss on initial recognition. The fair values of the conversion option embedded in preferred shares on initial recognition and the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by independent qualified valuers. Details of the method and assumptions used in the Binomial Pricing Model in the valuation of the conversion option embedded in preferred shares are as follows:

	30 June 2014	31 December 2013
Expected volatility <i>(i)</i>	44.32%	43.37%
Dividend yield	–	–
Option life (Year(s))	3.46	3.96
Risk-free interest rate <i>(ii)</i>	1.035%	1.22%

Notes:

- (i) Expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the weekly average adjusted share price of the comparable companies; and
- (ii) Risk-free interest rate was used by reference to the United States Treasury Bond Rate at the valuation date.

The fair value of each underlying share of Duomi Music is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a weighted average cost of capital (“WACC”) of 23.2% and 22.7% were used as at 30 June 2014 and 31 December 2013, respectively.

The effective interest rate of the debt portion of preferred shares is 17.80% per annum.

11. DEPOSIT FOR ACQUISITION OF CONVERTIBLE NOTES

As at 30 June 2014, the deposit for acquisition of convertible notes amounting to RMB20 million represented the deposit paid in relation to the proposed conditional subscription of convertible notes of US\$22,910,000 issued by Duomi Music pursuant to a conditional subscription agreement dated 9 April 2014 entered into between Duomi Music and Phoenix Success, which entitles Phoenix Success to convert the whole or part of such principal amount of the convertible notes into new shares to be issued by Duomi Music.

12. ACCOUNTS RECEIVABLE

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Neither past due nor impaired:		
Within 1 month	8,771	15,338
Over 1 month but less than 2 months	10,210	13,721
Over 2 months but less than 3 months	6,551	3,692
Over 3 months but less than 4 months	4,885	2,861
Past due but not impaired:		
4 to 6 months	3,230	4,361
Over 6 months	8,701	11,168
	<u>42,348</u>	<u>51,141</u>

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.

The movements in provision for impairment of accounts receivable are as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
At the beginning of period/year	2,170	3,583
Impairment losses recognised	–	132
Reversal of bad debts provision	–	(1,545)
At the end of period/year	<u>2,170</u>	<u>2,170</u>

The individually impaired accounts receivable related to customers that were in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An analysis of the financial assets at fair value through profit or loss as at the end of the reporting period is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Listed equity investments in the PRC, at market value	309	316
Non-capital protected financial products, at fair value	34,000	10,000
Credit-linked US Dollar note, at fair value	35,869	—
	<hr/>	<hr/>
At the end of period/year	70,178	10,316
	<hr/> <hr/>	<hr/> <hr/>

The above non-capital protected financial products as at 30 June 2014 and 31 December 2013 were classified as held for trading.

14. ACCOUNTS PAYABLE

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 1 month	3,820	7,381
1 to 3 months	6,727	7,597
4 to 6 months	2,176	2,616
Over 6 months	14,171	11,373
	<hr/>	<hr/>
	26,894	28,967
	<hr/> <hr/>	<hr/> <hr/>

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

15. SHARE CAPITAL

Shares

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Authorised:		
3,000,000,000 (2013: 3,000,000,000) ordinary shares of HK\$0.01 each	<u><u>26,513</u></u>	<u><u>26,513</u></u>
Issued and fully paid:		
1,428,847,128 (2013: 1,428,847,128) ordinary shares of HK\$0.01 each	<u><u>11,914</u></u>	<u><u>11,914</u></u>

A summary of the transactions during the period from 1 January 2013 to 30 June 2014 in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares (Unaudited)	Nominal value of ordinary shares (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Equivalent nominal value of ordinary shares (Unaudited) RMB'000	Equivalent share premium (Unaudited) RMB'000	Total (Unaudited) RMB'000
As at 1 January 2013	476,282,376	4,765	210,041	4,203	185,434	189,637
Rights issue	952,564,752	9,525	333,398	7,711	269,904	277,615
Share issue expenses	–	–	(5,734)	–	(4,568)	(4,568)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2013 and 30 June 2014	<u><u>1,428,847,128</u></u>	<u><u>14,290</u></u>	<u><u>537,705</u></u>	<u><u>11,914</u></u>	<u><u>450,770</u></u>	<u><u>462,684</u></u>

16. COMMITMENTS

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Authorised, but not contracted for:		
Construction in progress	–	–
Contracted, but not provided for:		
Construction in progress	–	1,851
Acquisition of investments	84,756	–
	<hr/> 84,756 <hr/>	<hr/> 1,851 <hr/>

17. APPROVAL OF THE UNAUDITED INTERIM ACCOUNTS

The unaudited Interim Accounts were approved by the Board on 20 August 2014.

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

Hong Kong, 20 August 2014

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

- (1) Executive Directors namely Mr. Liu Xiaosong, Mr. Lu Bin; and*
- (2) Independent non-executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Song Ke.*