THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in A8 New Media Group Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

A8新媒体集团
A8 NEW MEDIA GROUP

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)

ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION; APPLICATION FOR WHITEWASH WAIVER; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Terms used in this cover shall have the same meaning as defined in this circular.

A letter from the Board is set out on pages 7 to 18 of this circular. A letter from the Independent Board Committee is set out on page 19 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 40 of this circular.

A notice convening the EGM to be held at Thursday, 24 September 2015 at 10:30 a.m. at 23/F, A8 Music Building, No.1002 Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, the PRC is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

8 September 2015

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber and parties acting in concert with it) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the Subscriber. The directors of the Subscriber, namely Mr. Liu Xiaosong and Ms. Cheung Lo, jointly and severally accept full responsibility for the accuracy of the information (other than information relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Directors and the Company) in this circular have been arrived at after due and careful consideration, and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning as ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 16 July 2015 regarding, among other things, the proposed Subscription under the Subscription Agreement and the application for the Whitewash Waiver
"associate"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding a Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	A8 New Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 800)
"Completion"	completion of the Subscription
"Completion Date"	the date on which Completion shall take place, which shall be the fifth Business Day after the last outstanding condition precedent as disclosed in the sub-paragraph headed "Conditions precedent to the Subscription" in the letter from the Board in this circular (other than those condition(s) precedent which can only be fulfilled upon Completion) shall have been fulfilled (or such other date as may be agreed by the Company and the Subscriber in writing)

"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company convened to be held on Thursday, 24 September 2015 at 10:30 a.m. at 23/F, A8 Music Building, No.1002 Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, the PRC to consider and, if thought fit, approve, among other matters, the terms of the Subscription Agreement, the allotment and issue of the Subscription Shares by the Company under the Specific Mandate and the Whitewash Waiver
"Executive"	has the meaning as ascribed to it under the Takeovers Code
"General Mandate"	the general mandate granted to the Directors at the annual general meeting of the Company held on 21 May 2015 to allot, issue or deal with up to 343,017,525 Shares
"Grand Idea"	Grand Idea Holdings Limited, a limited liability company incorporated in the BVI whose issued share capital is 100% beneficially owned by a family trust set up by Ms. Xie Yuanbi for the benefits of certain of her family members. Ms. Xie Yuanbi is the mother of Mr. Liu and Mr. Liu is not a beneficiary of such family trust
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders as to whether the terms and conditions of the Subscription, the Whitewash Waiver and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and as to voting on the relevant resolutions at the EGM

"Independent Financial Adviser"	Donvex Capital Limited (富域資本有限公司), a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than (i) the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea); and (ii) those who are involved in or interested in the Subscription Agreement, the Subscription and/or the Whitewash Waiver, and their respective associates
"Last Trading Day"	13 July 2015, being the last day on which the Shares were traded on the Stock Exchange prior to the entering into of the Subscription Agreement
"Latest Practicable Date"	4 September 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 October 2015 (or such later date as the Company and the Subscriber may agree in writing)
"Mr. Liu"	Mr. Liu Xiaosong, the chairman of the Board and an executive Director, who founded a family trust which in turn controls the exercise of 100% of the voting power of the Subscriber
"Placing"	the placing of 120,000,000 Placing Shares on a best effort basis to the placees pursuant to the terms and conditions of the Placing Agreement, details of which are disclosed in the announcements of the Company dated 13 July 2015, 15 July 2015 and 22 July 2015. The completion of the Placing took place on 22 July 2015

"Placing Agreement"	the conditional placing agreement entered into between the Company and First Shanghai Securities Limited (第一上海證券有限公司) as placing agent dated 13 July 2015 in relation to the Placing under the General Mandate
"Placing Shares"	an aggregate of 120,000,000 new Shares placed pursuant to the Placing Agreement
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prime Century"	Prime Century Technology Limited, a company incorporated in the BVI with limited liability and owned as to 80.20% by the Subscriber. The remaining 19.80% of its interest is held by Ms. Wang Gang, who is the cousin of Mr. Liu
"Relevant Period"	the period commencing from 16 January 2015, being six months prior to the date of the Announcement (that is, 16 July 2015), and up to and including the Latest Practicable Date
"Relevant Securities"	securities as defined in Note 4 to Rule 22 of the Takeovers Code (which include (a) securities of the Company which are being subscribed for pursuant to the Subscription or which carry voting rights; (b) equity share capital of the Company and the Subscriber; (c) securities of the Subscriber which carry the same or substantially the same rights as any to be issued as consideration for the Subscription; (d) securities carrying conversion or subscription rights into any of the foregoing; and (e) options and derivatives in respect of any of the foregoing)
"RMB"	Renminbi, the lawful currency of PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of the Company of HK$0.01 each

"Share Options"	the outstanding options to subscribe for 50,661,118 new Share granted to the Directors and employees of the Group pursuant to the Share Option Scheme
"Share Option Scheme"	the share option scheme (other than the Pre-IPO share option scheme of the Company) adopted by the Company on 26 May 2008
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to allot and issue the Subscription Shares to be sought from the Independent Shareholders at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Ever Novel Holdings Limited, a company incorporated in the BVI with limited liability whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu for the benefit of his family members
"Subscription"	the subscription for the Subscription Shares by the Subscriber under the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 14 July 2015 entered into between the Company and the Subscriber in relation to the Subscription
"Subscription Price"	a subscription price of HK$0.570 per Subscription Share
"Subscription Shares"	680,000,000 new Shares to be allotted and issued by the Company to the Subscriber at the Subscription Price pursuant to the Subscription Agreement
"Takeovers Code"	the Code on Takeovers and Mergers
"US$"	United States dollars, the lawful currency of The United States of America

"Whitewash Waiver"	waiver as may be granted by the Executive in favour of the Subscriber in respect of its obligations to extend a general offer to acquire the issued Shares (excluding the issued Shares which are owned or agreed to be acquired by the Subscriber and parties acting in concert with it) in accordance with the Takeovers Code as a result of the Completion

In this circular, amounts denominated in RMB have been converted into HK$ at the rate of RMB0.80 = HK$1 for the purpose of illustration. Such exchange rate is for illustration purpose only and do not constitute representations that any amount in HK$ or RMB have been, could have been or may be converted at such rate.

A8新媒体集团
A8 NEW MEDIA GROUP

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)

Executive Directors:
Mr. Liu Xiaosong
(Chairman & Chief Executive Officer)
Mr. Liu Pun Leung

Independent Non-executive Directors:
Mr. Chan Yiu Kwong
Ms. Wu Shihong
Mr. Song Ke

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head office:
23/F, A8 Music Building
No.1002 Keyuan Road, Hi-tech Park
Nanshan District, Shenzhen
Guangdong Province
The People's Republic of China

Principal place of business in Hong Kong:
Suites 06–12, 33/F.
Shui On Centre
6–8 Harbour Road, Wanchai
Hong Kong

8 September 2015

To the Shareholders

Dear Sir or Madam,

**ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND CONNECTED TRANSACTION;
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

Reference is made to the Announcement in which it was announced that the Company had on 14 July 2015 entered into the Subscription Agreement pursuant to which the Subscriber agreed to subscribe for in cash, and the Company agreed to allot and issue 680,000,000

Subscription Shares at the Subscription Price of HK$0.570 per Subscription Share, subject to and upon the terms and conditions of the Subscription Agreement.

The primary purpose of this circular is to provide you with, among other matters, (i) further details of the Subscription contemplated under the Subscription Agreement, the grant of the Specific Mandate and the Whitewash Waiver; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription and the Whitewash Waiver; and (iv) the notice of the EGM.

THE SUBSCRIPTION

Major terms of the Subscription Agreement are set out below.

Date:

14 July 2015

Parties:

(1) the Subscriber, as subscriber; and

(2) the Company, as issuer.

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.570 per Subscription Share.

The Subscription Shares, being 680,000,000 new Shares, represent (i) approximately 37.05% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 27.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date).

The Subscription Shares are not subject to any lock-up or transfer restriction under the Subscription Agreement.

Subscription Price

The Subscription Price is HK$0.570 per Share, representing:

(i) a discount of approximately 12.31% to the closing price of HK$0.650 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 6.54% over the average closing price of HK$0.535 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;

(iii) a premium of approximately 23.91% over the closing price of HK$0.46 per Share as quoted the Stock Exchange on the Latest Practicable Date; and

(iv) a discount of approximately 19.26% to the unaudited consolidated net asset value of the Company as at 30 June 2015 per Share (based on the number of the issued Shares as at 30 June 2015) of approximately RMB0.565 (equivalent to approximately HK$0.706).

The aggregate Subscription Price for the Subscription shall be paid by the Subscriber to the Company in cash upon Completion.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Group. The Subscription Price was also determined with reference to the placing price for each Placing Share under the Placing, which was a price agreed between the Company and the placing agent, an independent third party. The Subscription Price is equal to the placing price for each Placing Share under the Placing and is thus no more favourable than the price at which new Shares offered to the placees who are independent third parties at the material time. The Directors (including the independent non-executive Directors) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the Subscription

Completion is conditional on:

(1) the passing of the ordinary resolution(s) by the Independent Shareholders at the EGM approving the Subscription Agreement and the allotment and issue of the Subscription Shares by the Company (including the Specific Mandate);

(2) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Whitewash Waiver;

(3) the Executive having granted the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver granted, and the Whitewash Waiver not being revoked;

(4) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not being revoked;

(5) the compliance with the applicable requirements under the Listing Rules by the Company; and

(6) all necessary consents, approvals, authorisations, waivers, or grant in accordance with any applicable laws, regulations or the articles of association to be obtained on the part of the Subscriber and its shareholders or on the part of the Company in respect of the Subscription and the transactions contemplated thereunder having been obtained and such consents, approvals, authorisations, waivers, and grant not having been revoked prior to Completion.

None of the above conditions are capable of being waived by any party to the Subscription Agreement.

If any of the above conditions shall not have been satisfied at or before 4:00 p.m. on the Long Stop Date, the Subscription Agreement shall cease and terminate, save and except provisions relating to confidentiality, notice, costs and expenses, governing laws and certain miscellaneous matters such as definitions used in the Subscription Agreement and counterparts of the Subscription Agreement which provisions shall continue to have full force and effect, and save for any antecedent breach thereof by any party to the Subscription Agreement.

Completion

Completion shall take place on the Completion Date.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Mandate to allot and issue the Subscription Shares

The Subscription Shares will be allotted and issued under the Specific Mandate and is subject to the Independent Shareholders' approval.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

INFORMATION OF THE PARTIES TO THE SUBSCRIPTION AGREEMENT

The Group is principally engaged in the provision of digital entertainment services (including music-based entertainment services and game related services in the PRC) and property investment business.

The Subscriber is a company incorporated in the BVI with limited liability whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu, the chairman of the Board and an executive Director, for the benefit of his family members. The Subscriber is principally engaged in investment holding. As at the Latest Practicable Date, the directors of the Subscriber are Mr. Liu and Ms. Cheung Lo, an employee of the Group. As at the Latest Practicable Date, Ms. Cheung Lo had outstanding Share Options ("Ms. Cheung's Options") which entitled her to subscribe for not more than 0.20% of the issued share capital of the Company as enlarged by the allotment and issue of such new Shares upon exercise of the Share Options.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The gross proceeds and net proceeds from the Subscription will be HK$387.6 million and approximately HK$387 million respectively. On such basis, the net price of each Subscription Share is approximately HK$0.569. It is intended that the net proceeds from the Subscription will be utilised as future investment of the Group as and when opportunities arise, with the focus on mobile game industry chain and online to offline music industry chain consolidation. The Group is principally engaged in music-based entertainment industry chain based on mobile internet and prime games publishing businesses. The Group has been putting efforts in expanding its strategic layout through equity investment in order to solidify its position in the industry, with the focus on mobile games industry chain and online to offline music industry chain consolidation. As stated in the 2014 annual report of the Company, the China's mobile industry, which includes mobile game and mobile music, is expected to grow with the increase in the number of internet users through mobile phone. Therefore, the Company intends to capture the increased demand in both the mobile game and mobile music markets by means of strategic expansion in upstream or downstream of the industry chain such as mobile game developer, mobile game related intelligence property content developer/platform, music content developer/platform, online distribution channel and other cultural and entertainment platform, etc.

The proceeds from the Subscription will be utilised for financing future investment of the Group as and when opportunities arise. Such investments are expected to comprise, principally projects relating to the companies engaged in mobile games industry chain and/or online to offline music industry chain. As the Group, as at the Latest Practicable Date, has not yet identified any investment target, it is impracticable for the Group to make any allocation of proceeds to such proposed investment.

The valuation of companies in the mobile game and mobile music industry chains are generally high. For example, according to the Company's past experience and the recent acquisition activities of other listed companies (mainly listed A-shares companies), the valuation of companies in the mobile game industry such as mobile game developers are generally above HK$600 million, some of which may reach HK$1 billion or above. No appropriate investment opportunities had been identified as at the Latest Practicable Date. Nevertheless, the Directors consider that the issue of the Subscription Shares would enhance the capital base of the Company at the outset and put the Company at a better position during the negotiation process and allow the Company to make timely commitment in any investment opportunity which could create value for the Shareholders. In assessing the Group's funding needs for the next 12 months' period, the management of the Group has also taken into account the funding of the potential acquisition(s) as referred to above. The Directors are of the view that the Subscription presents a good opportunity for the Company to raise a substantial amount of funds from the equity market to strengthen its financial position and the proceeds from the Subscription and the unutilised proceeds from the previous fund raising activities of the Company will provide sufficient fund for acquisition when opportunities arise and can satisfy the Company's expected funding needs for the next 12 months' period.

The Directors are further of the view that if the Company raises funds through debt financing or other form of equity financing such as rights issue, it may: (i) involve a relatively long timeframe as it involves numerous steps which usually takes about two to three months and higher documentation preparation costs than the Subscription; (ii) create higher uncertainty in raising the Company's targeted proceeds, due to the option but not the obligation to take up the offer shares by shareholders; and (iii) result in significant interest expenses and adversely affect the profit of the Company, with the increased borrowings and bond issuance. Debt financing, bank borrowings and issuance of bonds will inevitably increase the financing cost of the Group, as well as increase the gearing ratio of the Group which may bring negative effect on the financial position of the Group. It is considered that equity financing is a more prudent way when considering fund raising. Further, taken into account the funding needs of the Group for making timely commitment in any investment opportunity that may be identified in the future, the difficulty to seek single investor like the Subscriber who is willing to subscribe for a considerable number of Shares at a price equal to the placing price offered to the placees who are independent third parties under the Placing and the positive financial impacts of the Subscription on the Group's liquidity, gearing position and net asset value, the Directors (including the independent non-executive Directors after taking into account the opinion of the Independent Financial Adviser) consider that the terms of the Subscription are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors also consider that the dilution effect on the shareholding interest of the existing public Shareholders is justifiable.

FURTHER INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

Following the Completion, the Subscriber intends to continue the existing business of the Group. The Subscriber will provide such resources within its means to support the development of the existing business of the Group. The Subscriber has no intention to introduce any change to the existing business of the Group including any redeployment of the fixed assets of the Group or terminate the continued employment of the employees of the Group.

On 13 July 2015, the Company announced the possible disposal of its investment in Duomi Music Holding Ltd ("Duomi Music"), an associate company of the Company. Up to the Latest Practicable Date, the Group was still in the course of negotiation with the relevant parties (including a Shareholder and independent third parties) on the proposal and structure of such possible disposal. The Company and the potential parties to the possible disposal have not reached a consensus on the structure of the transaction. Upon the finalisation of the proposal and the structure of such possible disposal, the Company will comply with the requirements under Rule 25 of the Takeovers Code in relation to the special deal, where applicable. Further announcement will be made by the Company as and when appropriate.

FUND RAISING EXERCISES OF THE COMPANY IN THE LAST TWELVE MONTHS

Save for the Subscription and apart from the fund raising exercises mentioned below, the Company has not carried out other fund raising exercises during the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising exercise	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds as at the Latest Practicable Date
16 April 2015 and 27 April 2015	Placing of 285,768,000 new Shares at HK$0.73 per Share of HK$0.01 each	Approximately HK$205.3 million	To be utilised as general working capital and/or future investment of the Group as and when opportunities arise	Approximately HK$50 million was utilised as general working capital and investment funds. The remaining balance is being deposited in the bank account of the Company and will be used as intended.
13 July 2015, 15 July 2015 and 22 July 2015	Placing of 120,000,000 new Shares at HK$0.570 per Share of HK$0.01 each	Approximately HK$67 million	To be utilised as future investment of the Group as and when opportunities arise, with the focus on mobile game industry chain and online to offline music industry chain consolidation	The placing was completed on 22 July 2015 and the fund raised will be used as intended.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date):

	As at the Latest Practicable Date		Upon Completion (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date)	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscriber and the parties acting in concert with it *(note 1)*	581,557,398	31.69	1,261,557,398	50.16
Mr. Chan Yiu Kwong *(note 2)*	105,000	0.01	105,000	0.01
Other public Shareholders	1,253,530,230	68.30	1,253,530,230	49.83
	1,835,192,628	100.00	2,515,192,628	100.00

Notes:

1. Mr. Liu, the chairman of the Board and an executive Director, is the founder of a family trust which is owned by HSBC International Trustee Limited as trustee of such discretionary trust. These 581,557,398 Shares (representing approximately 31.69% of the issued share capital of the Company as at the Latest Practicable Date) comprised (i) 510,991,398 Shares (representing approximately 27.85% of the issued share capital of the Company as at the Latest Practicable Date) interested or deemed to be interested by the intermediate companies of such family trust, of which 369,360,303 Shares (representing approximately 20.13% of the issued share capital of the Company as at the Latest Practicable Date) and 141,631,095 Shares (representing approximately 7.72% of the issued share capital of the Company as at the Latest Practicable Date) are directly held by Prime Century and the Subscriber respectively; (ii) 5,766,000 Shares (representing approximately 0.31% of the issued share capital of the Company as at the Latest Practicable Date) directly held by Mr. Liu; and (iii) 64,800,000 Shares (representing approximately 3.53% of the issued share capital of the Company as at the Latest Practicable Date) directly held by Grand Idea which is interested or deemed to be interested by an associate of Mr. Liu. As at the Latest Practicable Date, Mr. Liu has Share Options to subscribe for an aggregate of 13,004,910 Shares ("Mr. Liu's Options") granted by the Company under the Share Option Scheme.

2. Mr. Chan Yiu Kwong is an independent non-executive Director.

IMPLICATIONS UNDER THE LISTING RULES

As the Subscriber is a company whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu (the chairman of the Board and an executive Director) for the benefit of his family members, the Subscriber is an associate of Mr. Liu, a connected person of the Company. Therefore, the Subscription shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Subscription Agreement, including the issue of the Subscription Shares under the Specific Mandate, are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Liu is the director of the Subscriber whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu for the benefit of his family members, he is considered having a material interest in the Subscription Agreement and the transactions contemplated thereunder, and he abstained from voting on the resolutions of the Board approving the Subscription Agreement and transactions contemplated thereunder.

TAKEOVERS CODE IMPLICATIONS

Dealings and interest held in the Company's securities by the Subscriber and its concert Parties

As at the Latest Practicable Date and save as disclosed in this circular, the Subscriber has confirmed that:

(i) neither the Subscriber nor parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) has received an irrevocable commitment from anyone to vote for the Subscription and/or the Whitewash Waiver;

(ii) save for the Subscription, Mr. Liu's Options and Ms. Cheung's Options, neither the Subscriber nor parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) holds any convertible securities, warrants or options of the Company;

(iii) neither the Subscriber nor parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) has entered into outstanding derivative in respect of securities in the Company;

(iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Subscription and/or the Whitewash Waiver;

(v) there are no agreements or arrangements to which the Subscriber nor any of the parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) is party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver (save as the conditions precedent to the Subscription); and

(vi) there are no Relevant Securities in the Company which the Subscriber or parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The Subscriber has confirmed that it and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the Relevant Period.

Application for Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), taken together, directly or indirectly, hold 581,557,398 Shares, representing approximately 31.69% of the existing issued share capital of the Company.

Upon Completion, a total of 680,000,000 Shares will be issued to the Subscriber. The Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) will in aggregate hold 1,261,557,398 Shares, representing approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date). Hence, upon Completion, the shareholding of the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) in the Company will increase from approximately 31.69% as at the Latest Practicable Date to approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date), whereby triggering a mandatory general offer under Rule 26 of the Takeovers Code. Accordingly, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities of the Company not already owned or agreed to be acquired by them. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to approval by Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. Subject to the relevant provisions of the Takeovers Code, the Subscriber and parties acting in concert with it may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

EGM

A notice convening the EGM to be held at Thursday, 24 September 2015 at 10:30 a.m. at 23/F, A8 Music Building, No.1002 Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, the PRC, at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares by the Company under the Specific Mandate) and the Whitewash Waiver, is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), directly or indirectly, held 581,557,398 Shares, representing approximately 31.69% of the existing issued share capital of the Company as at the Latest Practicable Date. The Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) are interested or involved in the Subscription and the Whitewash Waiver and shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

Ordinary resolutions as set out in the notice of the EGM will be put to the vote of the Independent Shareholders by way of poll. An announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Subscription and the Whitewash Waiver. The Independent Board Committee comprises all the independent non-executive Directors (namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Song Ke), all of whom are not directly or indirectly interested or involved in the Subscription and the Whitewash Waiver.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription and Whitewash Waiver. The Independent Board Committee has approved the appointment of the Independent Financial Adviser.

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription and the Whitewash Waiver. The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the Subscription contemplated under and pursuant to the terms and conditions of the Subscription Agreement; (ii) the grant of the Specific Mandate; and (iii) the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the resolutions for approving the Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares by the Company under the Specific Mandate) and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Warning: Shareholders and potential investors should note that the Subscription is subject to the fulfilment of a number of conditions, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares.

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

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

A8新媒体集团
A8 NEW MEDIA GROUP

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)

8 September 2015

To the Independent Shareholders

Dear Sir or Madam,

ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION; AND APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 8 September 2015 (the "**Circular**") of which this letter forms part.

Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 18 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 20 to 40 of the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription and the Whitewash Waiver are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully
Independent Board Committee

Mr. Chan Yiu Kwong | **Ms. Wu Shihong** | **Mr. Song Ke**

Independent non-executive Directors

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Donvex 富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central Hong Kong

8 September 2015

The Independent Board Committee and the Independent Shareholders of
A8 New Media Group Limited

Dear Sirs,

(1) ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, details of which are set out in the letter from the Board contained in the circular of the Company dated 8 September 2015 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

On 14 July 2015, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.570 per Subscription Share.

The Subscription Shares, being 680,000,000 new Shares, represent (i) approximately 37.05% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 27.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

As the Subscriber is a company whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu (the chairman of the Board and an executive Director) for the benefit of his family members, the Subscriber is an associate of Mr. Liu, a connected person of the Company. Therefore, the Subscription shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Subscription Agreement, including the issue of the Subscription Shares under the Specific Mandate, are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Liu is the director of the Subscriber whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu for the benefit of his family members, he is considered having a material interest in the Subscription Agreement and the transactions contemplated thereunder, and he abstained from voting on the resolutions of the Board approving the Subscription Agreement and transactions contemplated thereunder.

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), taken together, directly or indirectly, hold 581,557,398 Shares, representing approximately 31.69% of the existing issued share capital of the Company.

Upon Completion, a total of 680,000,000 Shares will be issued to the Subscriber. The Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) will in aggregate hold 1,261,557,398 Shares, representing approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date). Hence, upon Completion, the shareholding of the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) in the Company will increase from approximately 31.69% as at the Latest Practicable Date to approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date), whereby triggering a mandatory general offer under Rule 26 of the Takeovers Code. Accordingly, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities of the Company not already owned or agreed to be acquired by them. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to approval by Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

In view of the foregoing, the Company will convene an EGM to seek the approval of the Independent Shareholders of the Company on the Subscription Agreement and Whitewash Waiver. Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Song Ke, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the connected transaction and Whitewash Waiver. Being the Independent Financial Adviser approved and appointed by the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board contained in the Circular were reasonable made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

The Company confirmed that it has provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into business and affairs of the prospects of the Company, Duomi Music Holdings Limited ("Duomi Music") or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Background Information of the Group

The Group is engaged with the business of providing mobile internet services related to digital music and mobile games. Based on the discussion with the management of the Company, the Group had started shifting its strategic focus from traditional mobile value added service to digital entertainment business including digital music and mobile games. According to the annual report of the Company for the year ended 31 December 2014 (the "2014 Company Annual Report"), the Group will continue to build the music-based entertainment industry chain based on mobile internet and the prime game publishing platform. As such, the Company will focus on mobile games publishing business in Mainland China and expand its operation to overseas publishing market and HTML5 mobile games platform through equity investment.

Set out below is a summary of the Group's operating results and financial position extracted from the Company's latest annual reports and interim result announcement:

	Year ended 31 December		Six months ended 30 June	
	2014	2013	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited) (Restated)
Turnover				
Ringback tone services	42,193	86,094	8,832	33,921
Other music related services	29,688	43,223	–	17,073
Games-related	127,528	37,177	36,050	64,441
Other entertainment services	6,208	23,242	–	–
Rental and management fee income	–	–	23,025	7,933
	205,617	189,736	67,907	123,368
Gross profit	55,618	62,160	24,361	32,618
Profit for the year/period	9,653	8,473	5,521	1,010

Revenue

As shown in the above table, revenue increased from approximately RMB189.7 million for the year ended 31 December 2013 to approximately RMB205.6 million for the year ended 31 December 2014, representing an increase of approximately 8.4%. Game-related revenue increased by approximately 242.7% from RMB37.2 million for the year ended 31 December 2013 to RMB127.5 million for the year ended 31 December 2014. And its contribution to the total revenue increased from 19.6% for the year ended 31 December 2013 to 62.0% for the same period in year 2014. The increase in game-related 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. Meanwhile, as a result of the adjustment of business focus, the music-based entertainment services declined from RMB129.3 million for the year ended 31 December 2013 to RMB71.9 million of the same period in 2014, representing a decrease of approximately 44.4%.

For the six months ended 30 June 2015, the revenue of the Group decreased by approximately 45.0% from the six months ended 30 June 2014 of approximately RMB123.4 million to the six months ended 30 June 2015 of approximately RMB67.9 million which was attributable to i) the downward trend of the traditional wireless music-based entertainment services; and ii) the delay in launching several mobile games which lowered the revenue of games-related segment.

Gross profit

The gross profit of the Group decreased from RMB62.2 million for the year ended 31 December 2013 to RMB55.6 million for the year ended 31 December 2014, representing a decrease of approximately 10.6%. The overall gross profit margin of the Group decreased from approximately 32.8% in 2013 to approximately 27.0% in 2014. The decrease was mainly due to the change in product mix which resulted in higher revenue sharing with third parties.

For the six months ended 30 June 2015, the gross profit of the Group amounted to approximately RMB24.4 million, representing a decrease of approximately 25.3% as compared with the corresponding period in 2014 of approximately RMB32.6 million. The gross profit margin of the Group increased from 26.4% for the six months ended 30 June 2014 to approximately 35.9% for the six months ended 30 June 2015, which was mainly attributable to the contribution from the segment of property investment business with a higher gross profit margin.

Net profit

The net profit of the Group increased from RMB8.5 million for the year ended 31 December 2013 to RMB9.7 million for the year ended 31 December 2014, representing an increase of approximately 13.9%. Such increase was mainly due to the combined effect of (i) the decrease in impairment of tangible assets amounted to RMB10.1 million; and (ii) increase in share of losses of associates amounted to RMB9.0 million.

For the six months ended 30 June 2015, the net profit of the Group amounted to approximately RMB5.5 million, representing an increase of approximately 450.0% as compared with the corresponding period in 2014 of approximately RMB1.0 million. Such increase was mainly due to the net effect of i) the increase in profit contributed by property investment business and its fair value gain amounted to RMB22.2 million; ii) the increase in share of losses of associates amounted to RMB7.0 million; iii) the increase in fair value loss of conversion option embedded in convertible notes and preferred shares amounted to RMB5.4 million; and iv) the increase in income tax expense derived from deferred tax liabilities amounted to RMB3.8 million.

The table below summarizes the consolidated financial position of the Group as at 30 June 2015, 31 December 2014 and 31 December 2013.

		As at	
	31 December 2013	**31 December 2014**	**30 June 2015**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	389,182	608,664	680,741
Current assets	546,171	367,262	437,321
– Cash and cash equivalent	449,157	316,458	399,317
Total assets	935,353	975,926	1,118,062
Non-current liabilities	27,444	55,022	57,605
Current liabilities	122,023	122,493	91,335
Total liabilities	149,467	177,515	148,940

Non-current assets

The increase in non-current assets of the Group from approximately RMB389.2 million as at 31 December 2013 to approximately RMB608.7 million as at 31 December 2014 was mainly due to the additions and fair value increase of investment properties of A8 Music Building amounted to approximately RMB99.2 million, the increase of acquisition of convertible note issued by Duomi Music amounted to approximately RMB62.2 million, and the increase of investment in joint ventures, property, plant and equipment and intangible assets amounted to approximately RMB22.8 million, RMB17.5 million and RMB15.6 million, respectively.

The non-current assets of the Group further increased from approximately RMB608.7 million as at 31 December 2014 to approximately RMB680.7 million as at 30 June 2015 which was mainly due to the increase in investment in associates, fair value gain of investment properties and additional investment in available-for-sale investment amounted to approximately RMB47.2 million, RMB18.0 million and RMB6.0 million, respectively.

Current assets

As set out in the table above, the cash and cash equivalent of the Group decrease by approximately 29.5% from RMB449.2 million as at 31 December 2013 to RMB316.5 million as at 31 December 2014. The decrease in cash and cash equivalent was mainly due to the acquisition of convertible notes of Duomi Music and shares in joint ventures with a cash outflow of RMB89.9 million and RMB26.7 million, respectively.

As at 30 June 2015, the cash and cash equivalent of the Group increased to approximately RMB399.3 million from approximately RMB316.5 million as at 31 December 2014 resulting from the net impact of i) net proceeds of approximately RMB162.2 million from the completion of placing of new shares on 27 April 2015; and ii) the net cash outflow from investing activities and operating activities of approximately RMB70.7 million and RMB9.3 million, respectively.

The Directors expect the Group's internal cash resources would be insufficient to support the continuous expansion of the Group's mobile game business. Please refer to section headed "Industry overview of mobile game industry" and "Reasons for and benefits for entering into the Subscription Agreement" for prospect and expansion of the mobile game business, respectively.

2. Industry overview of mobile game industry

According to the data published by China Internet Network Information Center ("CNNIC"), a non-profit organization authorized by PRC's state competent departments to organize relevant Internet entities to jointly carry out internet development survey since 1997, in January 2015, China's mobile internet population reached 557 million by the end of 2014, representing an increase of 56.72 million as compared with 2013 and reached 85.8% of the China's Internet population. Smart phones solidify its position as the major device for internet access, and the mobile music and mobile game markets in which the Group involved is expected to grow continuously.

The online game market in the PRC has experienced rapid growth in recent years. According to the 2014 Annual Online Games Report issued by the Ministry of Culture of the PRC, the revenue derived from online game business increased by approximately 36.9% from by RMB60.1 billion in 2012 to RMB82.3 billion in 2013 and further increased by approximately 29.0% to RMB106.2 billion in 2014. In addition, the number of participants in mobile games in the PRC increased by approximately 349.4% from 26.7 million in 2012 to 120 million in 2013 and further increased by approximately 108.3% to 250 million in 2014.

As such, we are of the view that continuous growth in the mobile game industry is positive and supportive to the potential growth in the mobile game business of the Group.

3. Reasons for and benefits for entering into the Subscription Agreement

According to the section headed "Industry overview of mobile game industry" above, the mobile game industry is expected to grow with the increase in the number of internet users through mobile phone, in the PRC. Therefore, the Company can capture the increase in mobile game market demand by means of its strategic expansion in mobile game business. As such, the Directors are of the view and we concur that continuous growth in the mobile game industry is positive and supportive to the potential growth in the mobile game business of the Group.

As stated in the 2014 Company Annual Report, the Company focuses primarily on music-based entertainment industry chain based on mobile internet and mobile games industry. With sufficient funding, the Directors consider the Company can strategically expand its mobile game business through business cooperation with leading developers or equity investment in mobile game related corporation.

As stated in the letter from the Board, the Board considers that the Subscription can strengthen the financial position of the Group and provide working capital to the Group to meet any future development and obligations. The net proceeds of the Subscription will be HK$387 million (after deducting related expenses in connection with the Subscription from the gross proceeds from the Subscription of HK$387.6 million) and utilised as future investment of the Group as and when opportunities arise, with the focus on mobile games industry game industry chain and online to offline music industry chain consolidation.

With reference to the Letter from the Board, although the Group, as at the Latest Practicable Date, has not yet identified any investment target, the valuation of companies in the PRC mobile game industry such as mobile game developers are generally ranging from HK$600 million to HK$1 billion based on the Company's past experience and the recent acquisition activities of other listed companies (mainly listed A-shares companies). Having considered the latest cash position of the Group, its internal cash resources may not be sufficient for the acquisition of all appropriate investments that may be identified by the Company in the future. In the event that the Group identifies suitable business or investment opportunities (though not yet identified as at the Latest Practicable Date), and does not have sufficient cash and cash equivalents on hand, the Group may lose its opportunity in an otherwise favourable development/investment. As such, the Directors are of the view that the issue of the Subscription Shares can put the Company at a better position during the negotiation process and allow the Company to make timely commitment in any investment opportunity which could create value for the Shareholders.

Having considered that (i) the continuous growth in the mobile game industry can be maintained; (ii) the expansion of mobile game business of the Company is being carried out by the Company; and (iii) the size of acquisitions of mobile game developers in the PRC, we consider that the reasons for the Subscription is justifiable and the Subscription is in the interests of the Company and the Shareholders as a whole.

4. Financing alternatives of the Group

Based on our discussion with the Company, other than the Subscription, the Board has also considered the feasibilities of various fund raising methods such as (i) debt financing; and (ii) other form of equity financing with the following reasons.

(i) Debt financing

Debt financing methods may be favorable to the Company due to the facts that (a) bank and/or other borrowings could be designated and tailored to match the Company's needs in terms of timeline and size of fund, while (b) issue of bonds would not result in any dilution effect to the shareholding structure. However, such debt financing proposals may not be the most suitable for the Company based on its current financial position. Given that the increased borrowings and bond issuance would possibly result in significant interest expenses and adversely affect the profit of the Company and increase the gearing ratio of the Group. The Board therefore considers that such debt financing options are not favorable and suitable to the Company and Shareholders as a whole based on its current financial circumstance.

In assessing potential impact derived from interest rate if the Company adopted debt financing, we have conducted a research on the lending interest rate with reference to the information from the People's Bank of China in the PRC where the principal activity of the Group is conducted as at the Latest Practicable Date as tabulated below:

	Interest rate for bank Borrowing within 1 year as at the Latest Practicable Date	**Interest rate for bank borrowing ranging from 1 to 5 years as at the Latest Practicable Date**
The People's Bank of China	5.1%	5.5%

Source: Website of the People's Bank of China (www.pbc.gov.cn)

If the Group borrows HK$387 million (approximately to RMB309.6 million) from the financial institution in the PRC, an interest expense of approximately RMB15.8 million will be incurred annually which would have adverse impact to the profitability of the Company.

(ii) Placing of new shares to independent third parties

As stated in the Letter from the Board, the Company carried out placing of 285,768,000 new Shares and 120,000,000 new Shares to independent third parties with a discount of 7.59% and 12.31% to the closing price of the Share as quoted on the Stock Exchange on 16 April 2015 and 13 July 2015, respectively. It is difficult for the placing agent to seek independent third parties to subscribe new shares without a large discount as compared with the Subscriber, given (i) the uncertainty in recent stock market sentiment; and (ii) placing activity held by the Company in April and July of 2015; and (iii) thin trading volume of the Shares during the Review Period as discussed under the section headed "Review on trading liquidity of the Shares".

(iii) Other form of equity financing

We are advised by the Directors that although both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company. Given the uncertainty in recent stock market sentiment, the Directors consider that a rights issue or an open offer, either by independent third parties or the Subscriber, may not be a feasible mean of fund raising based on the following:

(a) it may involve a relatively longer timeframe as it involves numerous steps which usually takes about two to three months and higher documentation preparation costs, including but not limited to underwriting commission and legal fee, than the Subscription;

(b) It may create higher uncertainty in raising the Company's targeted proceeds, due to the option but not the obligation to take up the offer shares by shareholders as discussed in the section head "Review on trading liquidity of the Shares"; and

Although both open offer and rights issue would allow Shareholders to maintain their pro-rata shareholdings in the Company, it is not efficient and cost effective and may not be in the best interests of the Company and Shareholders as a whole in view of the Company's existing funding needs.

After compared to other fund raising methods mentioned above and taking into account of the Subscription, the Board considers and we concur that it is fair and reasonable for the Company to opt for the Subscription to raise additional funds for the Group under the circumstances.

5. Principal terms of the Subscription Agreement

On 14 July 2015, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.570 per Subscription Share.

Date:	14 July 2015
Parties involved:	(i) the Subscriber, as subscriber; and
	(ii) the Company, as issuer

Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price of HK$0.570 per Subscription Share.

The Subscription Shares, being 680,000,000 new Shares, represents:

(i) approximately 37.05% of the issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 27.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date).

The Subscription Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price is HK$0.570 per Subscription Share, representing:

(i) a premium of approximately 23.91% over the closing price of HK$0.460 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 12.31% to the closing price of HK$0.650 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 6.54% over the average closing price of HK$0.535 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;

(iv) a discount of approximately 19.26% to the unaudited consolidated net asset value of the Company as at 30 June 2015 per Share (based on the number of the issued Shares as at 30 June 2015) of approximately RMB0.565 (equivalent to approximately HK$0.706); and

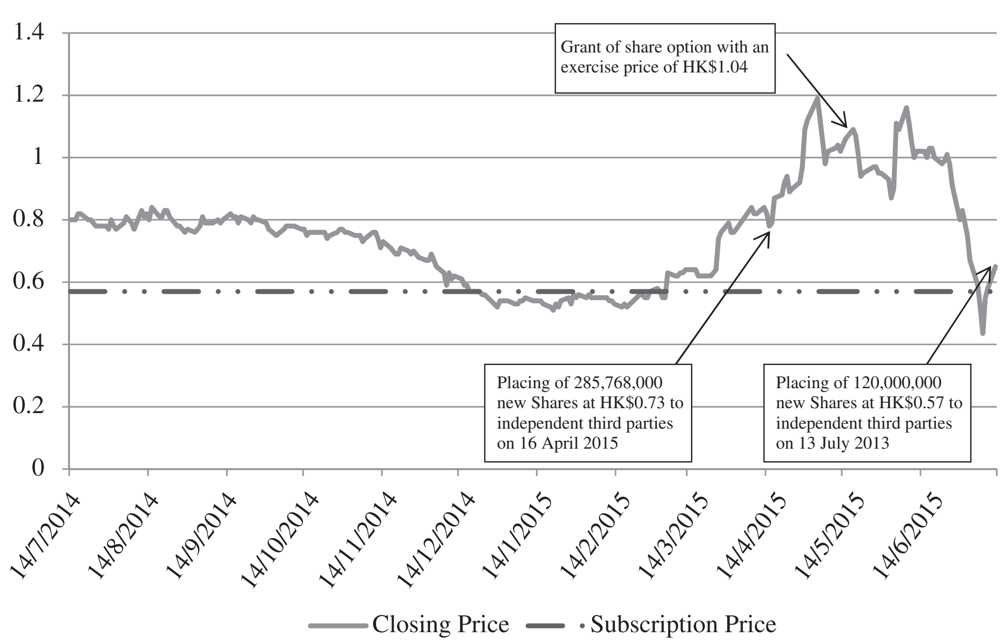
(v) a discount of approximately 36.9% to the adjusted unaudited consolidated net asset value of the Company as at 30 June 2015 taking into account the market value of the Property (as defined in the valuation report as set out in the Appendix II to this circular) of RMB821 million (assuming that all the title documents in respect of the Property had been obtained and the leased and owner-occupied portions of the Property were measured at fair value) (the "Adjusted NAV") per Share (based on the number of the issued Shares as at 30 June 2015) of approximately RMB0.722 (equivalent to approximately HK$0.903) (the "Adjusted NAV per Share").

As advised by the Directors, the Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and recent trading performance of the Shares, and the financial performance and the business outlook of the Group. Therefore, despite the discount to the net asset value (the "NAV") per Share, we consider the discounts to the closing price on the last trading day and the average closing price of the last five consecutive trading days represented by the Subscription Price as compared with the Comparables (as defined below) respectively as more appropriate when assessing the fairness and reasonableness of the Subscription Price. Nonetheless, we have included the NAV per Share in comparison with the Comparables (as defined below) in our analysis under the paragraph headed "Market Comparable Analysis" below. In order to determine the fairness and reasonableness of the Subscription Price, we have reviewed on both the historical price of the Shares, trading liquidity of the Shares as well as a comparison with other recent exercises subscription of new shares under specific mandate carried out by the listed companies in Hong Kong.

Assessment on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares as quoted on the Stock Exchange (the "Closing Price(s)") during the period commencing from 14 July 2014, being the 12-month period prior to the date of the Subscription Agreement, up to and including the Last Trading Date (the "Review Period"). A chart for illustration is shown as follows:

Figure 1: Share Price Chart

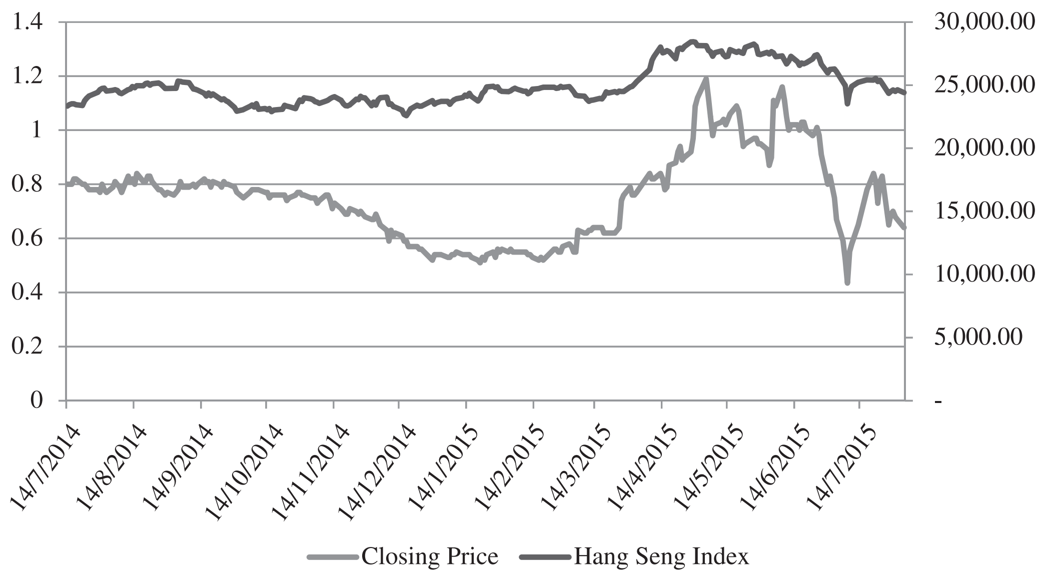


Source: Website of the Stock Exchange (www.hkex.com.hk)

The Subscription Price of HK$0.57 represents: (i) a premium of approximately 31.03% from the lowest Closing Price of HK$0.435 during the Review Period; (ii) a discount of approximately 52.10% from the highest Closing Price of HK1.19 during the Review Period; and (iii) a discount of approximately 24.20% from the average Closing Price of HK$0.752 during the Review Period.

The Closing Prices were rather volatile during the Review Period, which results in the range of prices of the Shares within the highest and lowest Closing Prices of HK$1.19 per Share (as recorded on 4 May 2015) and HK$0.435 per Share (as recorded on 8 July 2015), respectively. Thus, the Subscription Price lies within the range of Share price movement with reference to the Review Period.

Figure 2: Share price vs Hang Seng Index



Source: Website of the Stock Exchange (www.hkex.com.hk)

We have compared the Share price with the movements of Hang Seng Index during the Review Period as shown in Figure 2 above. It is noted that the Share price was generally in line with the movements of Hang Seng Index during the Review Period. As such, we are of the view that the Subscription price of HK$0.57, being 24.20% discount to the average Closing Price of HK$0.752 during the Review Period was mainly due to the poor market condition since late June 2015 up to the Last Trading Day.

Save for the aforesaid, given (i) the Subscription Price lies within the range of Share price movement and the fluctuation of Share price followed the trend of Hang Seng Index within the Review Period; (ii) the Company needs additional funding to finance its continuous expansion of its mobile game business; and (iii) the thin trading volume of the Shares during the Review Period (details of which are reported under the section headed ''Review on trading liquidity of the Shares'' below), we concur with the view of the Directors that the Subscription Price is fair and reasonable, and the terms of the Subscription are in the interests of the Company and the Shareholders as a whole.

Review on trading liquidity of the Shares

The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period:

Month	**Number of trading days**	**Average daily trading volume of the Shares (the "Average Volume")**	**Percentage of the Average Volume to total number of issued Shares as at the end of the month/period**
2014			
July (commencing from 14 July)	14	4,052,429	0.28%
August	21	6,110,206	0.43%
September	21	4,521,583	0.32%
October	21	2,519,619	0.18%
November	20	1,717,800	0.12%
December	21	2,300,762	0.16%
2015			
January	21	1,288,667	0.09%
February	18	517,756	0.04%
March	22	5,794,130	0.41%
April	19	20,978,748	1.22%
May	19	11,503,526	0.67%
June	22	14,439,914	0.84%
July (up to the Last Trading Day)	8	21,160,019	1.23%
Average		7,454,243	0.49%

Source: Website of the Stock Exchange (www.hkex.com.hk)

The above table illustrates that the average daily trading volume of the Shares in each month had been thin during the Review Period. Save for April 2015, the volume of Shares traded during the entire Review Period was below 1% of the total number of issued Shares as at the end of the month/period. The average trading volume of the Shares was thin during the Review Period, representing only approximately 0.49% of the total number of issued Shares as at the end of the month/period on average during the Review Period. The low liquidity of the Shares may imply that it would be difficult for the Company to further raise sizeable funds due to the lack of interest from potential investors. In this regards, we concur with the view of the Directors that the Subscription is in the interests of the Company and Shareholders as a whole.

Market Comparable Analysis

In accessing the fairness and reasonableness of the Subscription, we have compared the subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) of other listed companies initially announced from 14 June 2015, being one month prior to the date of the Subscription Agreement, and up to the Latest Practicable Date and identified an exhaustive list of seven proposed subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) (the "Comparables").

We consider that a review period of one calendar month prior and up to the date of the Subscription Agreement is appropriate to capture the recent market practice because the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the subscription price under other subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) as compared to the relevant prevailing market share prices under the recent market conditions and sentiments. However, given the differences between the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider the Comparables might not constitute close reference with the Company's proposed Subscription, but just a market general reference for the recent market practice in relation to the subscription price under other subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) as compared to the relevant prevailing market share prices.

Announcement Date	Company Name	Stock code	Connected transaction (Y/N)	Price-to-earnings ratio (the "PER") *(Note 1)*	Price-to-book ratio (the "PBR") *(Note 1)*	Premium/(discount) of Subscription Price to closing price on the last trading day approximately	Premium/(discount) of Subscription Price to closing price of last five trading days up to and including the last trading day approximately	Premium/(discount) of the Subscription to the closing price on the latest practicable date of the circular
19-Aug-15	China Eco-Farming Limited	8166	N	N/A	3.42	(0.66%)	(11.87%)	Nil *(Note 2)*
12-Aug-15	WLS Holdings	8021	N	N/A	0.15	(84.72%)	(85.34%)	Nil *(Note 2)*
7-Jul-15	Orient Victory China Holdings Limited	265	N	N/A	10.42	(50.67%)	(67.40%)	(64.08%)
5-Jul-15	Zhong Fa Zhan Holdings Limited	475	N	N/A	24.20	(14.29%)	(15.32%)	(4.89%)
29-Jun-15	Xi'an Haitian Antenna Technologies Co., Ltd.	8227	Y	N/A	1.81	(55.93%)	(60.49%)	(84.34%)
24-Jun-15	Bank of Chongqing Co. Ltd.	1963	N	5.83	1.04	(3.70%)	(0.78%)	3.40%
23-Jun-15	Wealthy Glory Holdings Limited	8269	N	N/A	5.30	(1.96%)	(0.40%)	Nil *(Note 2)*
			Maximum	**5.83**	**24.20**	**(0.66%)**	**(0.40%)**	**3.40%**
			Minimum	**5.83**	**0.15**	**(84.72%)**	**(85.34%)**	**(84.34%)**
			Average	**5.83**	**6.62**	**(30.28%)**	**(34.51%)**	**(37.48%)**
			The Company	**5.70**	**0.63** *(Note 3)*	**(12.31%)**	**6.54%**	**23.91%**

Source: Website of the Stock Exchange (www.hkex.com.hk)

Note 1: The PERs and PBRs of the Market Comparables were calculated based on their respective latest published annual report or interim report (as the case may be).

Note 2: Figures not available as the latest practicable date has yet to be fixed.

Note 3: The PBR of the Company is calculated by dividing the Subscription Price by the Adjusted NAV per Share (the "Adjusted PBR").

Discount of the Subscription Price to the market price comparison

As shown on the above table, the subscription prices of all of the Comparables are set at discounts to their relevant market prices, ranging from a discount of approximately 0.66% to approximately 84.72%, with an average discount of approximately 30.28% to the closing price of the last trading day. If the subscription of new shares under specific mandate to connected parties is excluded, the range of discount of subscription price to the closing price of last trading day remains the same with an average discount of approximately 26.00%. As such, we are of the view that the discount of the Subscription Price to the market price is more favourable as compared to the average of the Comparables

PER Comparison

It is noticed from the above table that six out of seven of the Comparables recorded a net loss attributable to the shareholder according to their latest audited annual reports and therefore are considered to be not meaningful as the Company is profit generating. As such, we are of the view that the PER comparison cannot conclude the fairness and reasonableness of Subscription Price.

PBR Comparison

As for the PBRs of the Comparables, we noticed that they ranged from approximately 0.15 times to 24.2 times, with a median and average of approximately 3.42 times and 6.62 times respectively. And the Adjusted PBR, being 0.63, is below the median and average of the Comparables and ranked the 2nd lowest among the Comparables.

We noted that subscription price of the placing of 120,000,000 new Shares to independent third parties on 13 July 2015, being one day prior to the date of Subscription Agreement, is the same as the Subscription. As such, the subscription price in the placing of 120,000,000 new Shares could be used as the benchmark accepted and offered by investors in the market and we consider the Subscription Price is fair and reasonable.

6. Dilution effect on the shareholding structure of the existing public shareholders

As depicted by the table under the section headed "Effects on shareholding structure of the Company" of the Board Letter, upon Completion, the shareholding interests of the existing public Shareholders would be diluted by approximately 18.47%. Nonetheless, in view of (i) the reasons for and the possible benefits of the Subscription to support the mobile game expansion of the Company, details of which are set out under the section under "Reasons and benefits for entering into the Subscription Agreement" of this letter; and (ii) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

7. Financial Effect of the Transactions

Earnings

According to the interim result announcement of the Company dated 20 August 2015 (the "2015 Interim Result Announcement"), the Group recorded consolidated unaudited net profit attributable to the Shareholders of approximately RMB5.5 million for the six months ended 30 June 2015. Upon Completion, it is expected that the Subscription will slightly decrease the earnings of the Group immediately after deducting the expenses related by approximately RMB0.5 million to RMB5.0 million.

As set out in the section headed "Property Valuation Report" in Appendix II of this circular, the Group has not obtained building ownership certificate for A8 Music Building located in Shenzhen, the PRC. Portion of the property was occupied by the tenants for office and retail uses and measured at fair value while portion of the property was occupied by the Company for office an ancillary uses and measured at cost. Upon Completion and in the event that the Group obtains the building ownership certificate for A8 Building successfully in October 2015 and the entire property is measured at fair value, the earnings of the Company will be increased by approximately RMB268.8 million from RMB5.5 million to RMB274.3 million.

Net asset value

According to the 2015 Interim Result Announcement, the NAV of the Group as at 30 June 2015 was approximately RMB969.1 million. Upon Completion, the NAV of the Group will increase. As such, the Subscription is expected to have a positive impact on the financial position of the Group. The NAV of the Group will increase from RMB969.1 million (approximately HK$1,211.4 million) to RMB1278.7 million (approximately HK$1,598.4 million) representing a decrease of NAV per Share from HK$0.706 per Share to HK$0.667 per Share immediately after Completion.

As set out in the section headed "Property Valuation Report" in Appendix II of this circular, the Group has not obtained building ownership certificate for A8 Music Building located in Shenzhen, the PRC. Portion of the property was occupied by the tenants for office and retail uses and measured at fair value while portion of the property was occupied by the Company for office and ancillary uses and measured at cost. Upon Completion and in the event that the Group obtains the building ownership certificate for A8 Music Building successfully in October 2015 and the entire property is measured at fair value, the NAV will increase from RMB969.1 million (approximately HK$1,211.4 million) to RMB1,548.0 million (approximately HK$1,935.0 million) representing an increase of NAV per Share from HK0.706 per Share to HK$0.808 per Share.

Cashflow

According to the 2015 Interim Result Announcement, the Group had bank balances and cash of approximately RMB399.3 million as at 30 June 2015. Upon Completion, the liquidity and cash position of the Group will be improved as the Subscriptions will facilitate the Company to raise net proceeds of approximately HK$387 million (equivalent to approximately RMB309.6 million). Accordingly, the cash position, net current assets and current ratio of the Group are expected to be improved upon Completion.

8. Whitewash Waiver

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), taken together, directly or indirectly, hold 581,557,398 Shares, representing approximately 31.69% of the existing issued share capital of the Company.

Upon Completion, a total of 680,000,000 Shares will be issued to the Subscriber. The Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) will in aggregate hold 1,261,557,398 Shares, representing approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date). Hence, upon Completion, the shareholding of the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) in the Company will increase from approximately 31.69% as at the Latest Practicable Date to approximately 50.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to the Completion Date), whereby triggering a mandatory general offer under Rule 26 of the Takeovers Code. Accordingly, the Subscriber and parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares and other securities of the Company not already owned or agreed to be acquired by them. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that it would, subject to approval by Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

Notwithstanding the dilution effect on the shareholdings of the existing Shareholders in the Company as a result of the Subscription, and the Subscription Price represents a discount to the market price of the Shares, and having considered that the (a) Reasons of and benefits for the Subscription, in particular (i) the continuous growth in the mobile game industry can be maintained; (ii) the expansion of mobile game business of the Company is being carried out by the Company; (iii) the size of acquisitions of mobile game developers in the PRC; and (b) the fairness and reasonableness of the Subscription Price as stated in the section headed "Principal terms of the Subscription Agreement" above, we consider that the grant of the Whitewash Waiver (the granting of which being one of the conditions precedent to the Completion) is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

If the Whitewash Waiver is approved by the Independent Shareholders, the maximum potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it resulting from the Subscription will exceed 50% of the voting rights of the Company. Subject to the relevant provisions of the Takeovers Code, the Subscriber and parties acting in concert with it may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons and in particular,

- the prospect of the mobile game industry in PRC is positive;
- the net proceed of the Subscription will finance the expansion of the Company's mobile game business to capture the growth;
- the Subscription Price lies within the range of Share price movement within the Review Period;
- the discount of the Subscription Price to the market price is more favourable as compared to the average of the Comparables;
- the Subscription Price, representing an Adjusted PBR below the median and average of the Comparables and ranked the 2nd lowest among the Comparables, is the same as the subscription price of the placing of 120,000,000 new Shares offered and accepted by the investors in the market one day prior to the day of Subscription Agreement;
- the trading volume is thin during the Review Period; and
- the dilution effect of the Placing is acceptable.

Having considered the above principal factors and reason for the Subscription and the transactions contemplated thereunder and the Whitewash Waiver, we are of the view that, the Subscription Agreement is entered into the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Note of the responsible officer:

Doris Sy is the responsible officer in charge of this letter to advise the Independent Board Committee and the Independent Shareholders in relation to the issue of new shares under specific mandate and connected transaction and the application for whitewash waiver. She has extensive experience as an independent financial adviser to advice on connected transaction and was also the independent financial adviser of the discloseable and connected transaction of the Company with reference to the circular dated 30 May 2014.

1. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

(a) Summary

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2012, 2013 and 2014 as extracted from the published annual financial statements of the Group for the relevant years and the unaudited consolidated financial information of the Group for the six months ended 30 June 2015 as extracted from the published interim financial statements of the Group for the six months ended 30 June 2015.

	For the six months ended 30 June 2015	**For the year ended 31 December 2014**	**2013**	**2012**
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS				
Revenue	67,907	205,617	189,736	345,093
Profit/(loss) before tax	10,272	43,016	21,220	(26,684)
Income tax expense	(4,751)	(33,363)	(12,747)	(3,328)
Profit/(loss) for the year/period attributable to:				
Owners of the Company	5,834	10,758	9,820	(29,868)
Non-controlling interest	(313)	(1,105)	(1,347)	(144)
	5,521	9,653	8,473	(30,012)
Earnings/(loss) per share attributable to equity holders of the Company				
Basic (RMB per share)	0.4 cent	0.8 cent	0.8 cent	(4.9 cent)
Diluted (RMB per share)	0.4 cent	0.8 cent	0.8 cent	(4.9 cent)
Dividends	–	–	–	–
Dividends per share	–	–	–	–

The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for the years ended 31 December 2012, 2013 and 2014, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

(b) Audited consolidated financial statements

Set out below are the consolidated financial statements of the Group for the financial year ended 31 December 2014 extracted from the annual report of the Company for the year ended 31 December 2014.

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

		2014	2013
	Notes	*RMB'000*	*RMB'000*
REVENUE		205,617	189,736
Business tax		(1,788)	(2,237)
Net revenue	*6*	203,829	187,499
Cost of services provided		(148,211)	(125,339)
Gross profit		55,618	62,160
Other income and gains, net	*6*	134,999	111,420
Selling and marketing expenses		(32,955)	(55,573)
Administrative expenses		(46,096)	(49,152)
Other operating expenses		(12,373)	–
Other expenses, net		(14,789)	(15,604)
Share of losses of associates	*18*	(40,940)	(31,964)
Share of losses of joint ventures	*19*	(448)	(67)
PROFIT BEFORE TAX	*7*	43,016	21,220
Income tax expense	*9*	(33,363)	(12,747)
PROFIT FOR THE YEAR		9,653	8,473
Attributable to:			
Owners of the Company	*10*	10,758	9,820
Non-controlling interests		(1,105)	(1,347)
		9,653	8,473

	Notes	2014 RMB'000	2013 RMB'000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic (RMB per share)		0.8 cent	0.8 cent
Diluted (RMB per share)		0.8 cent	0.8 cent
PROFIT FOR THE YEAR		9,653	8,473
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange realignment		(1,655)	(7,743)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,998	730
Attributable to:			
Owners of the Company		9,103	2,077
Non-controlling interests		(1,105)	(1,347)
		7,998	730

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	150,049	132,563
Investment properties	14	310,000	210,800
Prepaid land lease payments	15	13,839	13,855
Goodwill		1,515	1,515
Prepayment for acquisition of items of property, plant and equipment		1,904	1,051
Intangible assets	16	22,433	6,799
Investments in associates	18	–	3,318
Investments in joint ventures	19	26,208	3,360
Available-for-sale investment	20	6,000	–
Deferred tax assets	27	2,294	2,906
Conversion option embedded in preferred shares	28	9,242	13,015
Debt portion of convertible notes	29	30,004	–
Conversion option embedded in convertible notes	29	32,176	–
Deposit for acquisition of an investment		3,000	–
Total non-current assets		608,664	389,182
CURRENT ASSETS			
Trade receivables	21	32,216	51,141
Prepayments, deposits and other receivables	22	14,260	19,081
Investments at fair value through profit or loss	23	443	10,316
Restricted cash balances	24	3,885	16,476
Cash and cash equivalents	24	316,458	449,157
Total current assets		367,262	546,171

	Notes	2014 *RMB'000*	2013 *RMB'000*
CURRENT LIABILITIES			
Trade payables	*25*	35,391	28,967
Other payables and accruals	*26*	71,540	80,126
Tax payable		6,804	5,160
Deferred income		8,758	7,770
Total current liabilities		122,493	122,023
NET CURRENT ASSETS		244,769	424,148
TOTAL ASSETS LESS CURRENT LIABILITIES		853,433	813,330
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*27*	45,360	14,644
Deferred income		9,662	12,800
Total non-current liabilities		55,022	27,444
Net assets		798,411	785,886
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*30*	11,914	11,914
Reserves	*33(a)*	786,863	775,213
		798,777	787,127
Non-controlling interests		(366)	(1,241)
Total equity		798,411	785,886

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the Company													
	Issued capital	Share premium account	Shares held under share award scheme	Merger reserve	Surplus con-tributions	Employee share-based compen-sation reserve	Exchange fluctuation reserve	Capital reserve	Statutory reserve funds	Reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 30)	*(note 30)*	*(note 32)*	*(note 33(a))*	*(note 33(a))*				*(note 33(a))*	*(note 33(a))*				
At 1 January 2013	4,203	185,434	(1,375)	29,135	10,522	21,650	2,010	10,833	21,643	4,422	226,683	515,160	106	515,266
Profit for the year	–	–	–	–	–	–	–	–	–	–	9,820	9,820	(1,347)	8,473
Other comprehensive loss for the year:														
Exchange realignment	–	–	–	–	–	–	(7,743)	–	–	–	–	(7,743)	–	(7,743)
Total comprehensive income for the year	–	–	–	–	–	–	(7,743)	–	–	–	9,820	2,077	(1,347)	730
Rights issue	7,711	269,904	–	–	–	–	–	–	–	–	–	277,615	–	277,615
Equity-settled share-based payment arrangements	–	–	–	–	–	1,555	–	–	–	–	–	1,555	–	1,555
Share issue expenses	–	(4,568)	–	–	–	–	–	–	–	–	–	(4,568)	–	(4,568)
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(1,091)	–	–	–	–	1,091	–	–	–
Employee share award scheme:														
– shares purchased for share award scheme	–	–	(4,712)	–	–	–	–	–	–	–	–	(4,712)	–	(4,712)
– release of award shares	–	–	281	–	–	(281)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	–	–	–	29	–	(29)	–	–	–
At 31 December 2013	11,914	450,770*	(5,806)*	29,135*	10,522*	21,833*	(5,733)*	10,833*	21,672*	4,422*	237,565*	787,127	(1,241)	785,886

	Attributable to owners of the Company													
	Issued capital	**Share premium account**	**Shares held under share award scheme**	**Merger reserve**	**Surplus con-tributions**	**Employee share-based compen-sation reserve**	**Exchange fluctuation reserve**	**Capital reserve**	**Statutory reserve funds**	**Reserve fund**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 30)	*(note 30)*	*(note 32)*	*(note 33(a))*	*(note 33(a))*				*(note 33(a))*	*(note 33(a))*				
At 31 December 2013 and 1 January 2014	11,914	450,770	(5,806)	29,135	10,522	21,833	(5,733)	10,833	21,672	4,422	237,565	787,127	(1,241)	785,886
Profit for the year	–	–	–	–	–	–	–	–	–	–	10,758	10,758	(1,105)	9,653
Other comprehensive loss for the year:														
Exchange realignment	–	–	–	–	–	–	(1,655)	–	–	–	–	(1,655)	–	(1,655)
Total comprehensive income for the year	–	–	–	–	–	–	(1,655)	–	–	–	10,758	9,103	(1,105)	7,998
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	320	320
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(1,660)	–	–	–	(1,660)	1,660	–
Equity-settled share-based payment arrangements	–	–	–	–	–	4,207	–	–	–	–	–	4,207	–	4,207
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(1,143)	–	–	–	–	1,143	–	–	–
Employee share award scheme:														
– release of award shares	–	–	482	–	–	(482)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	–	–	–	29	–	(29)	–	–	–
At 31 December 2014	11,914	450,770*	(5,324)*	29,135*	10,522*	24,415*	(7,388)*	9,173*	21,701*	4,422*	249,437*	798,777	(366)	798,411

* These reserve accounts comprise the consolidated reserves of RMB786,863,000 (2013: RMB775,213,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows
Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		43,016	21,220
Adjustments for:			
Depreciation	7	3,159	1,439
Amortisation of prepaid land lease payments	7	318	585
Amortisation of intangible assets	7	9,288	9,288
Gain on disposal of a subsidiary	6	–	(256)
Loss on disposal of investments at fair value through profit or loss	7	–	1,084
Impairment of intangible assets	7	2,762	12,889
Loss on disposal of items of property, plant and equipment	7	13	34
Fair value (gain)/loss on investments at fair value through profit or loss	7	(127)	55
Fair value loss/(gain) on conversion option embedded in preferred shares	6, 7	3,773	(415)
Fair value gain on conversion option embedded in convertible notes	7	(1,783)	–
Fair value gains on investment properties	6	(87,321)	(90,158)
Bank interest income	6	(9,110)	(15,474)
Imputed interest income	6	(10,718)	(4,741)
Share of losses of associates	18	40,940	31,964
Share of losses of joint ventures	19	448	67
Impairment of trade receivables	7	683	132
Impairment of prepayments	7	2,019	–
Write-back of impairment of trade receivables	7	–	(1,545)
Write-back of impairment of other receivables	7	(1,430)	–
Impairment of an investment in an associate	7	2,832	–
Impairment of an investment in a joint venture	7	3,371	–
Equity-settled share option expense	7	3,860	968
Equity-settled share award expense	7	347	587
		6,340	(32,277)
Decrease in trade receivables		18,242	3,372
Decrease in prepayments, deposits and other receivables		3,434	2,114
Increase/(decrease) in trade payables		6,424	(1,295)
Decrease in other payables and accruals		(24,963)	(11,972)
(Decrease)/increase in deferred income		(2,150)	11,417
Cash generated from/(used in) operations		7,327	(28,641)
Tax paid		(391)	(1,151)
Net cash flows from/(used in) operating activities		6,936	(29,792)

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of a subsidiary		–	760
Acquisition of an available-for-sale investment		(6,000)	–
Additions to investment properties	14	(11,879)	–
Additions to prepaid land lease	15	(309)	–
Purchases of items of property, plant and equipment		(16,853)	(74,272)
Deposit for acquisition of an investment		(3,000)	–
Proceeds from disposal of items of property, plant and equipment		302	430
Purchases of intangible assets		(15,462)	(593)
Purchases of investments at fair value through profit or loss		–	(128,656)
Proceeds from disposal of investments at fair value through profit or loss		10,000	118,572
Purchase of preferred shares		–	(11,314)
Purchase of convertible notes		(89,927)	–
Purchase of shareholdings in joint ventures		(26,667)	–
Interest received		9,110	15,474
Decrease/(increase) in restricted cash		12,591	(13,536)
Increase in prepayments for acquisition of items of property, plant and equipment		–	(567)
Decrease in short term time deposits with original maturity of more than three months		–	8,318
Net cash flows used in investing activities		(138,094)	(85,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue		–	277,615
Share issue expenses		–	(4,568)
Purchase of award shares		–	(4,712)
New bank loan		–	13,272
Repayment of a bank loan		–	(82,839)
Interest paid		–	(1,254)
Capital contribution from non-controlling shareholders		320	–
Net cash flows from financing activities		320	197,514
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(130,838)	82,338
Cash and cash equivalents at beginning of year		449,157	374,562
Effect of foreign exchange rate changes, net		(1,861)	(7,743)
CASH AND CASH EQUIVALENTS AT END OF YEAR		316,458	449,157

	Notes	2014 RMB'000	2013 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	268,022	337,301
Time deposits with original maturity of less than three months when acquired	24	48,436	111,856
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		316,458	449,157

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	107,432	103,305
Total non-current assets		107,432	103,305
CURRENT ASSETS			
Other receivables		509	94
Amounts due from subsidiaries		377,148	381,099
Cash and cash equivalents	24	3,596	5,093
Total current assets		381,253	386,286
CURRENT LIABILITIES			
Other payables and accruals		1,957	1,911
Total current liabilities		1,957	1,911
NET CURRENT ASSETS		379,296	384,375
Net assets		486,728	487,680
EQUITY			
Issued capital	30	11,914	11,914
Reserves	33(b)	474,814	475,766
Total equity		486,728	487,680

Notes to Financial Statements

31 December 2014

1. CORPORATE INFORMATION

A8 New Media Group Limited (formerly known as A8 Digital Music Holdings 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 year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of digital entertainment services, including music-based entertainment services and game related services in the People's Republic of China (the "PRC" or "Mainland China").

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

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

3.2 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IAS 1	*Disclosure Initiative*[2]
IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 *Financial Instruments*

The final version of IFRS 9, as issued, brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – Amendments to IFRS 10 and IAS 28 (2011)**

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

***Accounting for Acquisitions of Interests in Joint Operations* – Amendments to IFRS 11**

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

***Clarification of Acceptable Methods of Depreciation and Amortisation* – Amendments to IAS 16 and IAS 38**

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

Annual Improvements to IFRSs 2010-2012

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 3.1, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose as follows:

Building	Over the lease terms
Computer equipment	3 to 5 years
Furniture, fixtures, and office and other equipment	5 to 10 years
Motor vehicles	5 years
Leasehold improvements	Over the shorter of the lease terms and useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks, licences and software

Purchased trademarks, licences and software are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to ten years.

Music copyrights

Music copyrights are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three years.

Mobile game licenses

Mobile game licenses represent up front license fees paid for exclusive mobile game development and publishing in a specified territory. They are stated at cost less accumulated amortisation and any impairment losses and are amortised on the straight-line basis over the estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Preferred shares and convertible notes held by the Group are separately presented as a debt portion and conversion option embedded in preferred shares and convertible notes. On initial recognition, the debt portion represents the residual value between the fair value of the preferred shares and convertible notes and the fair value of the embedded conversion options. The debt portion is classified as loans and receivables and is subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue from the rendering of services is recognised when the related services are provided.

The Group principally derives revenue from providing digital entertainment services, including music-based entertainment services and game related services in PRC.

Ringback tone and other music-related services

These services are predominantly delivered through the platforms of various subsidiaries of China Mobile Communications Corporation ("China Mobile") and China United Telecommunications Corporation ("China Unicom"). These services are substantially billed on a monthly subscription basis with certain portions billed on a per-message basis (the "Mobile and Telecom Service Fees") and the fees are substantially collected by the subsidiaries of China Mobile and China Unicom on behalf of the Group.

Gross revenue is recognised based on the Mobile and Telecom Service Fees, net of the amount of the uncollectibles.

China Mobile and China Unicom are entitled to commissions, which are calculated based on agreed percentages of the Mobile and Telecom Service Fees received or receivable by these mobile operators. In addition, in certain cases, the two mobile operators charge a network usage fee based on a fixed per-message fee multiplied by the excess of messages sent over messages received between the platforms of the Group and these two mobile operators. These commissions and network usage fees (collectively referred to as the "Mobile and Telecom Charges") are retained by the mobile operators, and are reflected as costs of services provided in the consolidated statement of profit or loss of the Group. The Mobile and Telecom Charges are withheld and deducted from the gross Mobile and Telecom Service Fees collected by the two mobile operators from the users, with the net amounts remitted to the Group.

The Mobile and Telecom Service Fees and the Mobile and Telecom Charges, or the net amount of the two, are confirmed and/or advised by subsidiaries of China Mobile and China Unicom to the Group on a regular basis. For revenue whose amount is not confirmed/advised by the two mobile operators at the time of reporting the financial results of the Group, management of the Group estimates the amount receivable based on historical data, which reflect developing trends in customer payment delinquencies. Historical data used in estimating revenues include the most recent history of the Mobile and Telecom Service Fees actually derived from the operators, the number of subscriptions and the volume of data transmitted between the network gateways of the Group, China Mobile and China Unicom. Adjustments are made in subsequent periods in case the actual revenue amounts are different from the original estimates.

Game publishing services

The Group engages in the provision of mobile game publishing services. Pursuant to exclusive game licensing agreements signed between the Group and the game developers, the Group is responsible for the publishing, promotion and distribution of the mobile games within a specified territory, collecting the payments made by players and providing customer services relating to game content and payments made by individual players. These agreements typically last for two to three years.

The Group then distribute the mobile games through a diversified range of third-party distribution channels. Game players made payments through the in-game payment systems, which include various channels, such as online wire transfer through third-party online payment vendors, through mobile network carriers and by credit card. In all cases, payments made by players of the games under exclusive licenses, regardless of which platform such players access the game, are paid to the game developers through the Group.

During the term of the agreements, the Group has to share a percentage of the gross billings generated by the sale of the virtual currency within the games with the third-party distribution channels. The percentage of gross billings the Group shared varies depending on the particular agreement. Payments from distribution channels to the Group are usually settled on a monthly basis. Prior to the settlement date, the relevant distribution channels will send the record of gross in-game payments to the Group for verification. The Group's operations team maintains databases that connect to the game server maintained by the game developers, to track the virtual currency and premium features sold in the games. As a result, the Group can calculate the estimated gross in-game payments from the operations team's records and verify the gross in-game payments records provided by the distribution channels. The distribution channels then monthly withhold the pre-agreed portion and the portion is deducted from the gross in-game payments collected from the game players, with the net amounts remitted to the Group. The consideration received for the purchase of the virtual currency is non-refundable and the related contracts are non-cancellable. The Group does not track the marketing discounts offered by the distribution channels as the latter bears the costs of such marketing discounts.

Revenue from the sale of virtual currency to be used for the purchase of in-game virtual items from mobile games is also shared between the Group and the game developers based on a predetermined ratio for each game monthly on a net basis after the deduction of game publishing charges paid to distribution channels. The Group has evaluated and concluded that it has the primary roles and responsibilities in the delivery of game experience to the game players and in the rendering of service as the Group determined itself being primarily responsible for all the requests and comments from the distribution channels as well as the game players. Accordingly, the Group is determined to be the primary obligor and reports revenue from the sale of virtual currency on a gross basis.

Given that the Group does not have sufficient data to analyse the characteristics of virtual items to reasonably estimate the delivery obligation period due to the system constraint, the Group has adopted a policy to recognise revenue relating to game publishing service over the estimated average user life of paying players with the Group on a game-by-game basis.

The estimated user life of paying players is based on data collected from those game players who have purchased the virtual currencies. To estimate the user life of paying players, the Group captures the following information for each paid player from its database: (a) the frequency that paying players log into each game via the distribution channels; and (b) the amount and the timing of when the paying players purchased the virtual currencies. The Group estimates the user life of paying players for a particular game to be the date a player purchases virtual currency through the date the Group estimates the user plays the game for the last time. This computation is completed on a player by player basis. Then, the results for all analysed paying players are averaged to determine an estimated user life of paying players for each game. Gross revenues from in-game payments of each month are recognised over the average user life of paying players estimated for that game.

The consideration of the average user life of paying players with each mobile game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. The Group assesses the estimated average user life of paying players on a half-yearly basis.

Any adjustments arising from changes in the user life of paying players as a result of new information will be accounted for as a change in accounting estimate.

Rental and management fee income

Rental income is recognised in the period in which the properties are let and on the straight-line basis over the lease terms, and management fee income is recognised in the period when the services are rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

Pension obligations

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in aa central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Equity compensation benefits

The Company operates the share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments transaction, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares held for share award scheme

As disclosed in note 32 to the financial statements, the Group has set up a trust for the share award scheme, where the trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for the Share Award Scheme" and deducted from the Group's equity.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the functional and presentation currency of certain of the Company's subsidiaries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and certain subsidiaries is the Hong Kong dollar ("HK$"). As at the end of the reporting period, the assets and liabilities of the Company and the subsidiaries are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and the statements of profit or loss of the Company and the subsidiaries are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and the subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and the subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

As further detailed in note 17(a) below, A8 New Media Group Limited does not have equity ownership in certain subsidiaries of the Group (collectively the "Subsidiaries under Contractual Agreements"). Nevertheless, under the contractual agreements entered into between the Subsidiaries under Contractual Agreements, their respective registered owners and certain subsidiaries of the Group, management has determined that the Group controls the financial and operating policies of the Subsidiaries under Contractual Agreements so as to obtain benefits from their activities. As such, the Subsidiaries under Contractual Agreements and their respective subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the directors have determined that the presumption set out in IAS 12 *Income Taxes* that investment properties measured using the fair value model are recovered through sale is rebutted. In addition, in measuring the deferred tax liability on investment properties, the directors have made judgement on the tax rate that is expected to apply when the liability is settled based on tax rates and tax laws that have been enacted by the end of the reporting period.

(ii) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Recognition of telecommunications value-added services

As mentioned in the "Revenue recognition" section of note 3.3, for the Mobile and Telecom Service Fees not yet confirmed/advised by the mobile operators at the time of reporting the financial results of the Group, management of the Group estimates the amounts receivable based on historical data and developing trends in customer payment delinquencies.

Fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

Estimation of the user life of paying players

As mentioned in the "Revenue recognition" section of note 3.3, the Group recognises revenue from the sales of virtual currency ratably over the estimated average user life of paying players for the applicable games in which the Group is not able to track the consumption of virtual items. Future paying player usage patterns and behaviour may differ from the historical usage patterns and therefore the estimated average user life of paying players may change in the future.

The Group will continue to monitor the estimation used in determining the average user life of paying players, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis than in prior periods.

5. 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 through mobile phones, including music- based entertainment and game related services. 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.

Revenue of approximately RMB80,819,000 (2013: RMB106,386,000) and RMB25,478,000 (2013: RMB20,476,000), respectively, were derived from providing mobile value-added services through mobile phones to the two largest customers.

6. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2014	2013
	RMB'000	*RMB'000*
Music-based entertainment		
Ringback tone services	42,193	86,094
Other music related services	29,688	43,223
Sub-total	71,881	129,317
Game-related revenue	127,528	37,177
Other entertainment revenue	6,208	23,242
	205,617	189,736
Less: Business tax	(1,788)	(2,237)
Net revenue	203,829	187,499
Other income and gains, net		
Fair value gains on investment properties	87,321	90,158
Gross rental and management fee income	25,909	–
Bank interest income	9,110	15,474
Imputed interest income	10,718	4,741
Gain on disposal of a subsidiary	–	256
Fair value gains on investments at fair value through profit or loss	127	–
Fair value gain on conversion option embedded in preferred shares	–	415
Fair value gain on conversion option embedded in convertible notes	1,783	–
Others	31	376
	134,999	111,420

7. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Depreciation	3,159	1,439
Amortisation of intangible assets	9,288	9,288
Amortisation of prepaid land lease payments#	318	585
Operating lease rentals in respect of office buildings	1,553	6,262
Auditors' remuneration	1,426	1,356
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	12,373	–
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	28,428	34,110
Welfare, medical and other expenses	3,191	4,544
Contributions to social security plans	3,925	5,579
Equity-settled share option expense	3,860	968
Equity-settled share award expense	347	587
	39,751	45,788
Impairment of trade receivables**	683	132
Write-back of impairment of trade receivables**	–	(1,545)
Write-back of impairment of other receivable**	(1,430)	–
Impairment of prepayments**	2,019	–
Write-off of trade receivables**	67	–
Impairment of intangible assets**	2,762	12,889
Foreign exchange differences, net**	185	2,528
Mobile and Telecom Charges*	52,135	78,246
Game publishing service charges*	32,191	–
Loss of disposal of items of property, plant and equipment**	13	34
Loss on disposal of investments at fair value through profit or loss**	–	1,084
Impairment of an investment in an associate**	2,832	–
Impairment of an investment in a joint venture**	3,371	–
Fair value loss on conversion option embedded in preferred shares**	3,773	–
Fair value gain on conversion option embedded in convertible notes***	(1,783)	–
Fair value (gains)/losses on investments at fair value through profit or loss***/**	(127)	55

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

* Included in "Cost of services provided" on the face of the consolidated statement of profit or loss.

** Included in "Other expenses, net" on the face of the consolidated statement of profit or loss.

*** Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	2014	2013
	RMB'000	*RMB'000*
Fees	285	281
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	1,879	1,811
Share-based payments	1,635	635
Pension scheme contributions	123	110
	3,637	2,556
	3,922	2,837

During the current and prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above directors' remuneration disclosures.

Further details are set out in note 31 to the financial statements.

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

2014

	Fees	Bonuses	Share-based payments	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:				
Mr. Chan Yiu Kong	143	–	47	190
Mr. Song Ke	71	–	47	118
Ms. Wu Shihong	71	–	47	118
	285	–	141	426

2013

	Fees	Bonuses	Total payments	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors:				
Mr. Chan Yiu Kong	144	–	–	144
Mr. Song Ke*	42	–	–	42
Mr. Zeng Liqing#	23	–	–	23
Ms. Wu Shihong	72	–	–	72
	281	–	–	281

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

* Appointed as independent non-executive director on 30 May 2013.

\# Resigned as independent non-executive director on 30 May 2013.

(ii) Executive directors and non-executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Share-based payments	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2014					
Executive directors:					
Mr. Liu Xiaosong ("Mr. Liu")*	–	866	843	81	1,790
Mr. Liu Pun Leung@	–	512	445	7	964
Mr. Lu Bin#	–	501	206	35	742
	–	1,879	1,494	123	3,496
2013					
Executive directors:					
Mr. Liu	–	893	–	49	942
Mr. Lu Bin	–	918	635	61	1,614
	–	1,811	635	110	2,556

* Mr. Liu is also the chief executive of the Company.

@ Appointed as executive director on 27 November 2014.

Resigned as executive director on 27 November 2014.

The five highest paid individuals included two (2013: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2013: three) non-director, highest paid individuals for the year are as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	3,024	2,442
Equity-settled share option expense	681	216
Equity-settled share award expense	27	382
Pension scheme contributions	184	218
	3,916	3,258

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	–	1
HK$2,500,001 to HK$3,000,000	1	–
	3	3

(c) During the year, no emoluments were paid by the Group to the directors, or any of the non-director, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office nor has any director or non-director, highest paid individual waived or agreed to waive any emoluments.

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing rates in the jurisdictions in which the subsidiaries operate.

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

	2014 *RMB'000*	2013 *RMB'000*
Group		
Current – PRC		
Charge for the year	2,251	873
Underprovision/(overprovision) in prior years	(216)	325
Deferred *(note 27)*	31,328	11,549
Total tax charge for the year	33,363	12,747

Shenzhen Kuaitonglian Technology Co., Ltd. ("Kuaitonglian") and Shenzhen Huadong Feitian Technology Co., Ltd. ("Huadong Feitian") were subject to a preferential tax rate of 15% as they were recognised as high technology enterprises for the year ended 31 December 2014.

Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. ("Yunhai Qingtian") was recognised as a newly set-up software production enterprise in 2010 and was therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2010 and a 50% tax relief for the three years thereafter.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2014					
	Hong Kong		The PRC, excluding Hong Kong		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	4,513		38,503		43,016	
Tax at the statutory tax rate	745	16.5	9,626	25.0	10,371	24.1
Preferential tax rates	–	–	(425)	(1.1)	(425)	(1.0)
Super-deduction of research and development expenditure	–	–	(516)	(1.3)	(516)	(1.2)
Effect on opening deferred tax of increase in rates	–	–	9,016	23.4	9,016	21.0
Adjustments in respect of current tax of previous periods	–	–	(216)	(0.6)	(216)	(0.5)
Income not subject to tax	(2,371)	(52.5)	(694)	(1.8)	(3,065)	(7.1)
Expenses not deductible for tax	1,626	36.0	1,886	4.9	3,512	8.2
Losses attributable to joint ventures and associates	–	–	10,350	26.9	10,350	24.1
Tax losses not recognised	–	–	4,336	11.3	4,336	10.1
Tax charge at the Group's effective rate	–	–	33,363	86.7	33,363	77.6

	2013					
	Hong Kong		The PRC, excluding Hong Kong		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	4,015		17,205		21,220	
Tax at the statutory tax rate	662	16.5	4,309	25.0	4,971	23.4
Preferential tax rates	–	–	(6,320)	(36.7)	(6,320)	(29.8)
Super-deduction of research and development expenditure	–	–	(490)	(2.8)	(490)	(2.3)
Adjustments in respect of current tax of previous periods	–	–	325	1.9	325	1.5
Income not subject to tax	(1,040)	(25.9)	(5)	–	(1,045)	(4.9)
Expenses not deductible for tax	378	9.4	4,205	24.4	4,583	21.6
Losses attributable to a joint venture and associates	–	–	8,008	46.5	8,008	37.8
Tax losses not recognised	–	–	2,715	15.8	2,715	12.8
Tax charge at the Group's effective rate	–	–	12,747	74.1	12,747	60.1

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a loss of RMB5,164,000 (2013: RMB4,760,000) which has been dealt with in the financial statements of the Company (note 33(b)).

11. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2014 (2013: Nil).

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

The calculation of the basic earnings per share amount for the year ended 31 December 2014 is based on the profit for the year attributable to equity holders of the Company of RMB10,758,000 (2013: RMB9,820,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the year of 1,406,288,000 (2013: 1,219,482,000).

The calculation of the diluted earnings per share amount for the year ended 31 December 2014 is based on the profit for the year attributable to equity holders of the Company of RMB10,758,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 1,406,288,000 ordinary shares in issue less shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average of 3,083,370 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.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 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 earnings per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Building	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improve-ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	–	10,204	2,666	2,114	4,110	127,230	146,324
Accumulated depreciation	–	(7,475)	(284)	(2,056)	(3,946)	–	(13,761)
Net carrying amount	–	2,729	2,382	58	164	127,230	132,563
At 1 January 2014, net of accumulated depreciation	–	2,729	2,382	58	164	127,230	132,563
Additions	–	1,215	6,069	–	–	13,676	20,960
Transfers	136,519	–	–	–	–	(136,519)	–
Disposals	–	(315)	–	–	–	–	(315)
Depreciation provided during the year	(1,030)	(1,025)	(1,039)	(58)	(7)	–	(3,159)
At 31 December 2014, net of accumulated depreciation	135,489	2,604	7,412	–	157	4,387	150,049
At 31 December 2014:							
Cost	136,519	10,587	8,717	2,114	3,905	4,387	166,229
Accumulated depreciation	(1,030)	(7,983)	(1,305)	(2,114)	(3,748)	–	(16,180)
Net carrying amount	135,489	2,604	7,412	–	157	4,387	150,049

The Group's building included in property, plant and equipment with a net carrying amount of RMB135,489,000 (2013: Nil) is situated in Mainland China and is held under a medium term lease.

Group

	Computer equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2013						
At 1 January 2013:						
Cost	10,227	1,334	2,114	4,110	131,628	149,413
Accumulated depreciation	(6,694)	(1,334)	(1,926)	(3,939)	–	(13,893)
Net carrying amount	3,533	–	188	171	131,628	135,520
At 1 January 2013, net of accumulated depreciation	3,533	–	188	171	131,628	135,520
Additions	847	2,497	–	–	104,174	107,518
Disposals	(384)	(80)	–	–	–	(464)
Depreciation provided during the year	(1,267)	(35)	(130)	(7)	–	(1,439)
Transfer to investment properties *(note 14)*	–	–	–	–	(108,572)	(108,572)
At 31 December 2013, net of accumulated depreciation	2,729	2,382	58	164	127,230	132,563
At 31 December 2013:						
Cost	10,204	2,666	2,114	4,110	127,230	146,324
Accumulated depreciation	(7,475)	(284)	(2,056)	(3,946)	–	(13,761)
Net carrying amount	2,729	2,382	58	164	127,230	132,563

14. INVESTMENT PROPERTIES

Group

	Completed *RMB'000*	Under construction *RMB'000*	Total *RMB'000*
31 December 2014			
Carrying amount at 1 January 2013	–	–	–
Transfer from property, plant and equipment *(note 13)*	–	108,572	108,572
Transfer from prepaid land lease payments *(note 15)*	–	12,070	12,070
Fair value gain on investment properties	–	90,158	90,158
Carrying amount at 31 December 2013 and 1 January 2014	–	210,800	210,800
Additions	–	11,879	11,879
Transfers	222,679	(222,679)	–
Fair value gain on investment properties	87,321	–	87,321
Carrying amount at 31 December 2014	310,000	–	310,000

The Group's completed investment properties and investment properties under construction are situated in Mainland China and are held under medium term leases.

The Group's completed investment properties and investment properties under construction were revalued on 31 December 2014 and 2013 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

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

The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

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

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use. The completed investment properties and investment properties under construction measured at fair value in the aggregate carrying amount of RMB310,000,000 and RMB210,800,000 as at 31 December 2014 and 2013, respectively, are subject to restrictions on sale and transfer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial building	–	–	310,000	310,000

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial building	–	–	210,800	210,800

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range (weighted average) 2014	2013
Commercial building (completed)	Income approach (refer above)	Estimated rental value (per sq.m. and per month)	RMB108	–
		Rental growth rate (per annum)	5.0%	–
		Discount rate	10.3%	–
Commercial building (under construction)	Residual approach (refer above)	Estimated rental value (per sq.m. and per month)	–	RMB79
		Rental growth rate (per annum)	–	5.0%
		Discount rate	–	9.85%

A significant increase/(decrease) in the estimated rental value per square meter and the rental growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental growth rate per annum and the discount rate.

15. PREPAID LAND LEASE PAYMENTS

	Group 2014	2013
	RMB'000	*RMB'000*
Carrying amount at 1 January	14,170	26,825
Addition	309	–
Recognised during the year	(318)	(585)
Transfer to investment properties *(note 14)*	–	(12,070)
Carrying amount at 31 December	14,161	14,170
Current portion included in prepayments, deposits and other receivables *(note 22)*	(322)	(315)
Non-current portion	13,839	13,855

The leasehold land is situated in Mainland China and is held under a medium term lease.

16. INTANGIBLE ASSETS

Group

	Trademarks, licenses and software *RMB'000*	**Music copyrights** *RMB'000*	**Mobile game licenses** *RMB'000*	**Total** *RMB'000*
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	3,429	3,370	–	6,799
Additions	41	–	27,643	27,684
Amortisation provided during the year	(2,022)	(2,221)	(5,045)	(9,288)
Impairment during the year *(note (1))*	–	–	(2,762)	(2,762)
At 31 December 2014	1,448	1,149	19,836	22,433
At 31 December 2014:				
Cost	39,282	7,030	27,643	73,955
Accumulated amortisation and impairment	(37,834)	(5,881)	(7,807)	(51,522)
Net carrying amount	1,448	1,149	19,836	22,433

	Trademarks, licenses and software *RMB'000*	**Music copyrights** *RMB'000*	**Mobile game licenses** *RMB'000*	**Total** *RMB'000*
31 December 2013				
Cost at 1 January 2013, net of accumulated amortisation	23,917	5,160	–	29,077
Additions	24	569	–	593
Amortisation provided during the year	(6,929)	(2,359)	–	(9,288)
Disposal of a subsidiary	(694)	–	–	(694)
Impairment during the year *(note (2))*	(12,889)	–	–	(12,889)
At 31 December 2013	3,429	3,370	–	6,799
At 31 December 2013:				
Cost	41,236	7,180	–	48,416
Accumulated amortisation and impairment	(37,807)	(3,810)	–	(41,617)
Net carrying amount	3,429	3,370	–	6,799

Note (1):

An impairment was recognised as at 31 December 2014 for certain mobile game licenses with net total carrying amount of RMB2,762,000 which was considered to be not recoverable based on value in use due to the results of the game public trial testing being far below the expectation of management. As such, management considered that it was not commercially viable for the Group to continue to develop and launch the games to the market based on the testing results, and hence, the recoverable amount was nil as at 31 December 2014.

Note (2):

An impairment was recognised as at 31 December 2013 for a music software with a net carrying amount of RMB12,889,000 which was considered to be not recoverable based on value in use due to the postponement of the mobile music downloading charge in mid-2013, the high music copyright costs, and the significant change in mobile music business model in 2013 from charge on music downloading service to mobile music entertainment or music value-added services. As the music software was tailor-made primarily for old version of operating system-supported mobile internet application for music downloading when developed in 2011 without functions for any value-added services, the significant change in the mobile music business model in 2013 would require an entire upgrade of the music software from pure music downloading platform to music entertainment platform which was estimated to be costly by management. Besides, through investment in Duomi Music Holding Limited ("Duomi Music"), the Group can enjoy the benefit from the rapid growth of mobile music market in China. As such, management considered it was not commercially viable for the Group to continue to develop and upgrade the music software based on the current business trend in mobile music market in China, and hence, the recoverable amount was nil as at 31 December 2013.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	RMB'000	*RMB'000*
Unlisted shares, at cost	74,333	74,333
Capital contribution in respect of share-based compensation	33,099	28,972
	107,432	103,305

The amounts due from subsidiaries, included in the Company's current assets, are unsecured, interest-free and have no fixed terms of repayment.

(a) Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment	Paid-up issued/ registered capital	Percentage of equity/interest attributable to the Company Direct	Indirect	Principal activities
A8 Music Group Limited ("A8 Music") *(note (ii))*	British Virgin Islands	Ordinary shares US$64,500 Preferred shares US$9,300	100	–	Investment holding
佳仕域信息科技(深圳)有限公司 Cash River Information Technology (Shenzhen) Co., Ltd. *(note (ii))**#	PRC	HK$40,000,000 Registered capital	–	100	Development of computer software and provision of technical and management consultancy services
深圳市華動飛天網絡技術開發有限公司 Shenzhen Huadong Feitian Network Development Co., Ltd. ("Huadong Feitian") *(notes (i) and (ii))**@	PRC	RMB28,680,000 Registered capital	–	100	Provision of telecommunications instant messaging and value-added services
深圳市雲海情天文化傳播有限公司 Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of game publishing services
深圳市快通聯科技有限公司 Shenzhen Kuaitonglian Technology Co., Ltd. ("Kuaitonglian") *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京創盟音樂文化發展有限公司 Beijing Chuangmeng Yinyue Culture Development Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB5,000,000 Registered capital	–	100	Provision of mobile value-added services
北京愛樂空間文化傳播有限公司 Beijing Aiyue Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services

Company name	Place of incorporation/ establishment	Paid-up issued/ registered capital	Percentage of equity/interest attributable to the Company Direct	Indirect	Principal activities
北京樂聲飛揚音樂文化傳播有限公司 Beijing Yuesheng Feiyang Music Culture Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京天籟印象文化傳播有限公司 Beijing Tianlai Cultural Broadcasting Co., Ltd. ("Tianlai") *(notes (i) and (ii))**@	PRC	RMB20,000,000 Registered capital	–	100	Provision of mobile value-added services
江蘇廣視科貿發展有限公司 Jiangsu Guangshi Science and Trade Development Limited *(notes (i) and (ii))**@	PRC	RMB10,070,000 Registered capital	–	100	Provision of mobile value-added services
北京樂音無限文化傳播有限公司 Beijing Yueyin Wuxian Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	100	Provision of mobile value-added services
普好有限公司 Total Plus Limited	Hong Kong	HK$97,045 Issued capital	–	100	Investment holding
北京布拉琪音樂文化傳媒有限公司 Beijing Bulaqi Music Cultural Broadcasting Co., Ltd. ("Bulaqi") *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	100	Holding of music patents and licenses
北京掌中地帶信息科技有限公司 Beijing Zhangzhong Didai Information Technology Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added and game publishing services

Company name	Place of incorporation/ establishment	Paid-up issued/ registered capital	Percentage of equity/interest attributable to the Company Direct	Indirect	Principal activities
深圳市掌翼天下有限公司 Shenzhen Zhangyi Tianxia Development Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB3,000,000 Registered capital	–	100	Dormant
茂御有限公司 Phoenix Success Limited ("Phoenix Success")	Hong Kong	HK$1 Issued capital	100	–	Investment holding
北京悦音經典網絡科技有限公司 Beijing Yueyin Jingdian Network Technology Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	100	Dormant
深圳市指遊方寸網絡科技有限公司 Shenzhen Finger Fun Network Technology Co., Ltd. *(note (ii))**#	PRC	RMB39,650,000 Registered capital	–	100	Investment holding of game business
北京德木欣潤文化傳播有限公司 Beijing Demo Xinrun Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB100,000 Registered capital	–	80	Production of live music shows and music channels

* The English names of these companies are the direct translations of their Chinese names, as no English names have been registered or are available.

\# Registered as a wholly-foreign-owned enterprise under PRC law.

@ Registered as domestic limited liability companies under PRC law.

Notes:

(i) The current PRC laws and regulations limit the provision of telecommunications value-added services by companies with foreign ownership, which include activities and services operated by these companies. In order to enable the Company to make investments in the telecommunications value-added services in the PRC, the equity interests of these companies are held by individual nominees on behalf of the Group and certain contractual agreements have been effectuated among these companies, their respective registered owners and Cash River, Huadong Feitian, Kuaitonglian, Bulaqi or Tianlai to the effect that the operating and financial decisions of these companies are effectively controlled by the Company.

As a result of the contractual agreements, these companies are accounted for as subsidiaries of the Company for accounting purposes.

(ii) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) Controlled special purpose entity

The Company has set up a trust, A8 New Media share award trust (the "Trust"), for the purpose of administering the share award scheme established by the Company (note 32). In accordance with IFRS 10 *Consolidated Financial Statements*, the Company is required to consolidate the Trust as the Company has control over the Trust and can derive benefits from the contributions of employees who have been awarded the shares through their employment with the Group.

Special purpose entity	Place of incorporation	Principal activities
Law Debenture (Asia) Trust Limited – A8 New Media	Hong Kong	Administration and holding of Group the Company's shares for the share award scheme for the benefit of eligible employees

18. INVESTMENTS IN ASSOCIATES

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Share of net assets	190	676
Goodwill on acquisition	2,642	2,642
	2,832	3,318
Impairment *(Note)*	(2,832)	–
	–	3,318

Note:

An impairment was recognised for the investment in Ningmenghai which is considered to be not recoverable based on value in use because this company was loss-making in these years, the actual financial results of this company for the current year also could not meet the five-year budgeted cash flow projections which were approved by senior management in past years and the expected growth rate of this company in coming years is estimated to be minimal. As such, management determined to recognise impairment for the investment in this company as at 31 December 2014.

In the opinion of the directors, the debt portions of convertible notes and preferred shares in Duomi Music are considered as part of the Group's net investment in the associate.

Particulars of the Group's associates are as follows:

Company name	Particulars of registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2014	2013	Principal activities
Shenzhen Ningmenghai Technology Co., Ltd. ("Ningmenghai") *(notes (i) and (ii))**#	RMB5,000,000	PRC	19.34%	19.34%	Provision of internet social network services
Duomi Music Holding Limited *(note (ii))**	USD50,000	Cayman Islands/ PRC	42.69%	42.69%	Provision of online and connected digital music services

Notes:

(i) As at 31 December 2014 and 2013, the Group owned a 19.34% equity interest in Ningmenghai. Although the Group holds less than 20% of the equity interest in Ningmenghai, in the opinion of the Company's directors, the Group is in a position to exercise significant influence over Ningmenghai having considered the prevailing widely dispersed shareholding structure of Ningmenghai.

(ii) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* The above investments in associates are indirectly held by the Company.

\# The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material. The Group did not have any material associates for each of the reporting periods.

	2014 *RMB'000*	2013 *RMB'000*
Share of the associates' losses for the year and unrecognised accumulated losses in prior years	(40,940)	(31,964)
Share of the associates' total comprehensive losses and unrecognised accumulated losses in prior years	(40,940)	(31,964)
Aggregate carrying amount of the Group's investments in the associates	–	3,318

As at 31 December 2013, the Group has discontinued the recognition of its share of losses of an associate, Duomi Music, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the prior year and cumulatively were RMB1,536,000 and RMB10,866,000 as at 31 December 2013, respectively.

19. INVESTMENTS IN JOINT VENTURES

	Group 2014	Group 2013
	RMB'000	*RMB'000*
Share of net assets	5,736	–
Goodwill on acquisition	23,843	3,360
	29,579	3,360
Impairment *(Note)*	(3,371)	–
	26,208	3,360

Note:

An impairment was recognised for goodwill on acquisition of Utooo which is considered to be not recoverable based on value in use because the actual financial results of this company could not meet the five-year budgeted cash flow projections which were approved by senior management in past years and the expected growth rate of this company in coming years is estimated to be minimal. As such, management determined to recognise impairment for the goodwill of this company as at 31 December 2014.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest 31 December 2014	Percentage of ownership interest 31 December 2013	Principal activities
Nanjing Utooo Information Technology Co., Ltd. ("Utooo")#	Registered and paid-up capital of RMB1,059,000	PRC	15%*	15%*	Mobile phone application provider
Beijing Babyjia Education Technology Development Co., Ltd. ("Babyjia")#	Registered and paid-up capital of RMB1,000,000	PRC	30%*	–	Developing, producing and selling children storytelling devices
Bigbang Interactive Ltd. ("Bigbang")	Registered and paid-up capital of USD125,000	Republic of Seychelles/ Korea	20%*	–	Publishing mobile games and mobile applications
Smart Breeze Co., Ltd ("Smart Breeze")	Registered and paid-up capital of KRW62,500,000	Korea	20%*	–	Publishing mobile games and mobile applications
Shanghai Shileniao Information Technology Ltd. ("Shileniao")#	Registered and paid-up capital of RMB125,000	PRC	20%*	–	Publishing mobile games and mobile applications

The above investments were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they did not register any official English name.

* Notwithstanding that the Group owned 15%-30% equity interests in these companies, in the opinion of the Company's directors, the Group is in a position to have joint control over these companies having considered that the other shareholders have contractually agreed the sharing of control over the relevant business activities of these companies with the Group.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material. The Group did not have any material joint ventures for each of the reporting periods.

	2014	**2013**
	RMB'000	*RMB'000*
Share of the joint ventures' losses for the year and unrecognised accumulated losses in prior years	(448)	(67)
Share of the joint ventures' total comprehensive losses and unrecognised accumulated losses in prior years	(448)	(67)
Aggregate carrying amount of the Group's investments in the joint ventures	26,208	3,360

As at 31 December 2013, the Group has discontinued the recognition of its share of losses of a joint venture because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of joint venture for the prior year and cumulatively were RMB2,000 and RMB2,000 as at 31 December 2013, respectively.

20. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	6,000	–

As at 31 December 2014, the unlisted equity investment with a carrying amount of RMB6,000,000 (2013: Nil) was stated at cost because the variability in the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

21. TRADE RECEIVABLES

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Trade receivables	35,069	53,311
Impairment	(2,853)	(2,170)
	32,216	51,141

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

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Neither past due nor impaired:		
Within 1 month	10,479	15,338
Over 1 month but less than 2 months	9,870	13,721
Over 2 months but less than 3 months	2,070	3,692
Over 3 months but less than 4 months	2,297	2,861
Past due but not impaired:		
4 to 6 months	4,267	4,361
Over 6 months	3,233	11,168
	32,216	51,141

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

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
At 1 January	2,170	3,583
Impairment losses recognised *(note 7)*	683	132
Write-back of impairment *(note 7)*	–	(1,545)
At 31 December	2,853	2,170

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Prepayments	8,242	11,340
Prepaid land lease payments *(note 15)*	322	315
Deposits and other receivables	7,752	10,912
Impairment	(2,056)	(3,486)
	14,260	19,081

The financial assets as at the end of the reporting period relate to receivables for which there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the other receivables is an amount due from the Group's associate of RMB727,000 (2013: RMB727,000), which is unsecured, interest-free and repayable on demand.

The movements in the provision for other receivables are as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
At 1 January	3,486	3,486
Write-back of impairment *(note 7)*	(1,430)	–
At 31 December	2,056	3,486

Included in the above provision for other receivables is a provision for individually impaired receivables of RMB2,056,000 (2013: RMB3,486,000) with a gross carrying amount of RMB2,056,000 (2013: RMB3,486,000). The individually impaired receivables relate to a portion of the receivables that is not expected to be recovered.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Listed equity investments in Mainland China, at fair value	443	316
Unlisted investments, at fair value	–	10,000
	443	10,316

The above 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.

The Group's unlisted investments represented fund investments and the fair values were based on values quoted by the relevant financial institutions.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	271,907	353,777	3,596	5,093
Time deposits	48,436	111,856	–	–
	320,343	465,633	3,596	5,093
Less: Restricted cash	(3,885)	(16,476)	–	–
Time deposits with original maturity of more than three months	–	–	–	–
Cash and cash equivalents	316,458	449,157	3,596	5,093
Denominated in RMB	276,902	333,292	4	4
Denominated in other currencies	39,556	115,865	3,592	5,089
Cash and cash equivalents	316,458	449,157	3,596	5,093

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB are not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made with maturity of not more than three months and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

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

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Within 1 month	7,668	7,381
1 to 3 months	11,619	7,597
4 to 6 months	8,906	2,616
Over 6 months	7,198	11,373
	35,391	28,967

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

Included in the trade payables is an amount of RMB344,000 (2013: RMB344,000) due to an associate which is unsecured, interest-free and repayable on demand.

26. OTHER PAYABLES AND ACCRUALS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Other payables	47,102	46,084
Accruals	23,427	34,042
Receipt in advance	1,011	–
	71,540	80,126

27. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Group

	Deductible temporary differences	Transfer of profit derived from contractual agreements	Fair value adjustments arising from acquisition of subsidiaries	Fair value gain on investments at fair value through profit or loss	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	1,193	(813)	(392)	(177)	–	(189)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 9)*	1,713	–	261	–	(13,523)	(11,549)
At 31 December 2013 and 1 January 2014	2,906	(813)	(131)	(177)	(13,523)	(11,738)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 9)*	(612)	–	131	–	(30,847)	(31,328)
At 31 December 2014	2,294	(813)	–	(177)	(44,370)*	(43,066)

* The deferred tax liability is measured at the tax rate of 25% that is expected to apply when the liability is settled.

The Group has tax losses arising in Mainland China of RMB27,304,000 (2013: RMB22,968,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB300,531,000 at 31 December 2014 (2013: RMB282,599,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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

On 14 December 2012 (the "Completion Date"), Phoenix Success subscribed for 13,853,868 convertible redeemable preferred shares (the "preferred shares") at US$0.43 each for cash issued by Duomi Music. 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 fourth 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 embedded in preferred shares is deemed as held for trading and recognised at fair value through profit or loss on initial recognition with changes in fair value recognised in profit or loss subsequently. In the opinion of the directors, the debt portion of preferred shares is considered as part of the Group's net investment in Duomi Music. As such, the debt portion was used to cover the Group's share of loss of Duomi Music in 2013. The fair values of the conversion option embedded in preferred shares on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by independent qualified valuers, Grant Sherman Appraisal Limited. Details of the method and assumptions used in the Binomial Pricing Model in the valuation of the conversion option embedded in the preferred shares are as follows:

	31 December 2014	**31 December 2013**
Expected volatility *(i)*	56.16%	43.37%
Dividend yield	–	–
Option life (year(s))	2.96	3.96
Risk-free interest rate *(ii)*	1.05%	1.22%

Notes:

(i) Expected volatility was calculated by reference to the annualised standard deviation of the continuously compounded rates of return on the weekly average adjusted share price of comparable companies.

(ii) Risk-free interest rate was used by reference to the United States Treasury Bond Rate with similar maturity at the valuation date.

Generally, a change in the assumption made for the expected volatility is accompanied by a directionally similar change in the dividend yield and the option life and an opposite change in the risk-free interest rate.

The following table demonstrates the sensitivity of the Group's profit before tax at the end of 31 December 2014 and 2013 to a reasonably possible change in combined net effect of the dividend yield, risk-free interest rate and stock volatility of comparable companies (collectively the "PS combined factors").

	Increase/ (decrease) in percentage	Combined net effect on profit before tax *RMB'000*
31 December 2014		
PS combined factors	10	778
PS combined factors	(10)	(845)
31 December 2013		
PS combined factors	10	273
PS combined factors	(10)	(315)

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 of 21.6% and 22.7% was used as at 31 December 2014 and 2013, respectively.

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

29. DEBT PORTION OF CONVERTIBLE NOTES AND CONVERSION OPTION EMBEDDED IN CONVERTIBLE NOTES

On 28 July 2014, pursuant to the conditional subscription agreement dated 9 April 2014 entered into between Phoenix Success and Duomi Music, inter alia, convertible notes of Duomi Music (the first tranche) with an aggregate principal amount of US$14,730,000 (approximately RMB90,132,870) were issued by Duomi Music to Phoenix Success. The convertible notes bear interest at 3.5% per annum and have a maturity of three years. In addition, subject to Duomi Music's fulfilment of certain conditions to give notice to Phoenix Success not later than 30 June 2015, Phoenix Success shall subscribe for, and Duomi Music shall issue, the second tranche of the convertible notes of an aggregate principal amount of US$8,180,000 which bear the same interest rate and the same maturity date as the first tranche. Up to the date of approval of these financial statements, Duomi Music has not given notice to Phoenix Success regarding the subscription of the second tranche of the convertible notes.

The convertible notes are bifurcated into a debt portion and a conversion option for accounting purposes. The Group classified the debt portion as loans and receivables and the conversion option embedded in convertible notes is deemed as held for trading and recognised at fair value through profit or loss on initial recognition with changes in fair value recognised in profit or loss subsequently. In the opinion of the directors, the debt portion of convertible notes is considered as part of the Group's net investment in Duomi Music. As such, the debt portion was used to cover the Group's share of loss of Duomi Music.

Pursuant to the subscription agreement, Phoenix Success can exercise the conversion right at any time after the first anniversary of the date of issue of the first tranche or the second tranche of the convertible notes which requires prior written consent of at least 80% of convertible redeemable preferred share holders, provided that, after the expiry of 185 days from the conversion date, the proposed issuance shall cease to be subject to and bound by such prior consent requirement and shall not be earlier than the date of issuance of 2015 audited financial statements of Duomi Music upon which the conversion price of the conversion shares shall be determined.

The fair values of the conversion option embedded in convertible notes on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by independent qualified valuers, Grant Sherman Appraisal Limited. Details of the method and assumptions used in the Binomial Pricing Model in the valuation of the conversion option embedded in the convertible notes are as follows:

	31 December 2014	**28 July 2014**
Expected volatility *(i)*	55.30%	59.51%
Dividend yield	–	–
Option life (year(s))	2.58	3.0
Risk-free interest rate *(ii)*	0.89%	0.98%

Notes:

(i) Expected volatility was calculated by reference to the annualised standard deviation of the continuously compounded rates of return on the weekly average adjusted share price of comparable companies.

(ii) Risk-free interest rate was used by reference to the United States Treasury Bond Rate with similar maturity at the valuation date.

Generally, a change in the assumption made for the expected volatility is accompanied by a directionally similar change in the dividend yield and the option life and an opposite change in the risk-free interest rate.

The following table demonstrates the sensitivity of the Group's profit before tax at the end of 31 December 2014 to a reasonably possible change in combined net effect of the dividend yield, risk-free interest rate and stock volatility of comparable companies (collectively the "CN combined factors").

	Increase/ (decrease) in percentage	**Combined net effect on profit before tax** *RMB'000*
31 December 2014		
CN combined factors	10	2,362
CN combined factors	(10)	(1,967)

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 of 21.6% and 22.9% was used as at 31 December 2014 and 28 July 2014, respectively.

The effective interest rate of the debt portion of the convertible notes is 19.81% per annum.

30. SHARE CAPITAL

Shares

	2014 *RMB'000*	**2013** *RMB'000*
Authorised:		
3,000,000,000 (2013: 3,000,000,000) ordinary shares of HK$0.01 each	26,513	26,513
Issued and fully paid:		
1,428,847,128 (2013: 1,428,847,128) ordinary shares of HK$0.01 each	11,914	11,914

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

	Number of issued and fully paid ordinary shares	**Nominal value of ordinary shares** *HK$'000*	**Share premium account** *HK$'000*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Equivalent share premium account** *RMB'000*	**Total** *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)
As at 31 December 2013, 1 January 2014 and 31 December 2014	1,428,847,128	14,290	537,705	11,914	450,770	462,684

During the year, there was no movement in the Company's share capital.

During the prior year, a rights issue of two rights shares for every existing share held by members on the register of members on 27 February 2013 was made, at an issue price of HK$0.36 per rights share, resulting in the issue of 952,564,752 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$342,923,000 (equivalent to RMB277,615,000).

31. SHARE OPTION SCHEMES

(a) Share option scheme

The Company operates a share option scheme for the purpose of motivating eligible persons to optimise their future contribution to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with those eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The share option scheme became effective on 26 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options that can be granted under the share option scheme and any other schemes of the Group (including the Pre-IPO share option scheme) shall not in aggregate exceed 10% of the shares of the Company in issue, i.e., 142,884,712 shares, as at 24 May 2013 on which an ordinary resolution was passed at the annual general meeting of the Company for refreshing the 10% mandate under the share option scheme.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time.

The maximum number of shares issuable under the share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the share option scheme during the year:

	2014		2013	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	HK$ per share	*'000*	*HK$ per share*	*'000*
At 1 January	1.60	10,819	2.15	9,312
Adjustments arising from the rights issue	–	–	1.64	2,900
Granted during the year	0.66	39,017	–	–
Forfeiture during the year	1.34	(2,632)	1.97	(1,393)
At 31 December	0.83	47,204	1.60	10,819

There were no share options exercised during the current and prior years. The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2014

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
20	2.440	24-12-2009 to 26-5-2018
919	2.416	5-10-2009 to 26-5-2018
2,889	0.903	15-10-2010 to 14-10-2018
5,004	1.838	25-3-2011 to 24-3-2016
525	0.915	18-8-2011 to 17-8-2016
2,400	0.690	14-1-2014 to 14-1-2019
3,177	0.684	24-1-2014 to 24-1-2021
32,270	0.650	23-4-2014 to 23-4-2021
47,204		

2013

Number of options	**Exercise price***	**Exercise period**
'000	*HK$ per share*	
20	2.440	24-12-2009 to 23-12-2014
999	2.416	5-10-2009 to 4-10-2014
2,889	0.903	15-10-2010 to 14-10-2018
6,386	1.838	25-3-2011 to 24-3-2016
525	0.915	18-8-2011 to 17-8-2016
10,819		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of RMB3,860,000 (2013: RMB968,000) during the year ended 31 December 2014 in respect of the share options granted in the current and prior years.

b) Join Reach share option scheme

The Join Reach share option scheme adopted by Join Reach Limited ("Join Reach") was set up by the shareholders of Prime Century Technology Limited ("Prime Century"), which is one of the substantial shareholders of the Company, to recognise and reward the contribution of certain employees of the Company and its subsidiaries who, in the opinion of the board of directors of Join Reach, have contributed or will contribute to the growth and development of the business invested by Prime Century. The Join Reach share option scheme became effective on 26 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in Prime Century which may be transferred by Join Reach to the grantees upon the exercise of all options to be granted under the Join Reach share option scheme represents approximately 8.8% of the total issued share capital of Prime Century.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of Join Reach, and commences after a certain vesting period and ends on a date which is not later than four years from the date of offer of the share options or the expiry date of the Join Reach share option scheme, if earlier.

No share options were outstanding as at 31 December 2014 and 2013. No share option has been granted, exercised, cancelled or lapsed during the years.

At the end of the reporting period, the Company had approximately 47,204,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 47,204,000 additional ordinary shares of the Company and additional share capital of HK$472,040 and share premium of HK$38,707,280 (before issue expenses).

Subsequent to the end of the reporting period, an aggregate of 240,000 share options under the share option scheme were lapsed.

At the date of approval of these financial statements, the Company has 46,964,000 share options outstanding under the share option scheme, which represented approximately 3.29% of the Company's shares in issue as at that date.

32. SHARE AWARD SCHEME

On 16 August 2010, the board of directors of the Company (the "Board") approved the establishment of a share award scheme with the objective to recognise the performance of eligible employees within the Group and to retain them for the continued operation and development of the Group and to encourage senior employees to have a direct financial interest in the long term success of the Group. Under the share award scheme, award shares of the Company ("Award Shares") are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain considerations (including but not limited to, the lockup period) to be decided by the Board at the time of grant of the Award Shares under the share award scheme. The share award scheme will remain in force for 10 years from the date of adoption.

The share award scheme will operate in parallel with the Company's share option scheme. All options granted under the share option scheme will continue to be valid and exercisable subject to and in accordance with the terms of those schemes.

Pursuant to the rules of the share award scheme, the Company has set up the Trust for the purposes of administering the share award scheme and holding the Award Shares before vested and the expiry of the lock-up period. The Company can (i) make a loan to the Trust from time to time for the purchase of the Award Shares under the loan agreement; (ii) instruct its broker to purchase existing shares in the Company from the market, settle payment and costs and deliver the same to the trustee to hold on trust for the eligible employees; and (iii) allot and issue new shares in the Company to the trustee to hold on trust for the eligible employees.

The maximum number of all Award Shares purchased by the trustee under the share award scheme must not be 10% or more of the issued share capital of the Company as at the adoption date, i.e., 142,884,712 shares, unless the Board otherwise decides.

During the year, a total of 824,000 (2013: 1,135,000) shares at a cost of RMB956,000 (2013: RMB1,313,000) were vested.

Movements in the number of the Award Shares and their related average fair value are as follows:

	2014		**2013**	
	Average fair value	**Number of shares**	**Average fair value**	**Number of shares**
	HK$ per share	*'000*	*HK$ per share*	*'000*
At 1 January		6,205		7,340
Vested	1.45	(824)	1.45	(1,135)
At 31 December		5,381		6,205

Movements in the number of shares held under the share award scheme are as follows:

	2014	**2013**
	Number of shares held	**Number of shares held**
	'000	*'000*
At 1 January	23,123	8,086
Purchased during the year	–	16,172
Released during the year	(824)	(1,135)
At 31 December	22,299	23,123

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 44 to 45 of the financial statements.

(i) Merger reserve

The merger reserve of the Group represents (i) the excess of the nominal value of the paid-up capital of Huadong Feitian over the nominal value of A8 New Media's shares which were issued as consideration for obtaining the control of Huadong Feitian at the time of the group reorganisation in 2004; and (ii) the excess of the nominal value of the shares of the Company issued over the nominal value of A8 New Media's shares acquired pursuant to the group reorganisation in 2008.

(ii) Surplus contributions

According to an agreement dated 27 December 2004 on the capital contribution into A8 New Media's signed by A8 New Media, the then three shareholders of A8 New Media and the registered owners, the three shareholders of A8 New Media agreed to make cash contributions of HK$1,000,000 (equivalent to RMB1,063,000) and RMB10,000,000 into A8 New Media without any equity interests issued and issuable to them in return. In addition, A8 New Media has no obligations to repay these contributions. As a result, the contributions were reported as surplus contributions of A8 New Media.

(iii) PRC statutory reserves

In accordance with the Companies Laws of the PRC and the articles of association of the subsidiaries of the Company which are domestic enterprises established in the PRC, appropriations of their net profits after offsetting accumulated losses from prior years should be made to the statutory surplus reserve fund maintained by these companies before any distributions are made to the investors. The percentage of appropriation to the statutory reserve fund is 10%. When the balance of the statutory reserve fund reaches 50% of the paid-up/ registered capital, no further appropriations are required to be made. The statutory reserve fund shall not be less than 25% of the original registered capital.

In accordance with the Law of the PRC for Enterprises with Foreign Investments and the articles of association of a subsidiary of the Company established in the PRC, namely Cash River, appropriations from net profits, after offsetting accumulated losses brought forward from prior years, should be made to the reserve fund before distributions are made to the owners. The percentage of net profits to be appropriated to the reserve fund should not be less than 10% of the net profits. When the balance of the reserve fund reaches 50% of the paid-up capital, no further appropriations are required to be made. Upon approval obtained from the board of directors, the reserve fund can be used to offset accumulated deficits or to increase the registered capital.

(b) Company

	Share premium account *RMB'000*	Shares held under share award scheme *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Employee share-based compensation reserve *RMB'000*	Retained profits/ accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2013	194,363	(1,375)	8,969	(3,166)	16,500	3,183	218,474
Total comprehensive loss for the year	–	–	–	(127)	–	(4,760)	(4,887)
Rights issue	269,904	–	–	–	–	–	269,904
Equity-settled share-based payment arrangements	–	–	–	–	1,555	–	1,555
Share issue expenses	(4,568)	–	–	–	–	–	(4,568)
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	(1,091)	1,091	–
Employee share award scheme							
– shares purchased for share award scheme	–	(4,712)	–	–	–	–	(4,712)
– release of award shares	–	281	–	–	(281)	–	–
At 31 December 2013 and 1 January 2014	459,699*	(5,806)	8,969*	(3,293)	16,683	(486)	475,766
Total comprehensive income/(loss) for the year	–	–	–	5	–	(5,164)	(5,159)
Equity-settled share-based payment arrangements	–	–	–	–	4,207	–	4,207
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	(1,143)	1,143	–
Employee share award scheme – release of award shares	–	482	–	–	(482)	–	–
At 31 December 2014	459,699*	(5,324)	8,969*	(3,288)	19,265	(4,507)	474,814

* These reserve accounts comprise the Company's reserves available for distribution amounting to RMB468,668,000 (2013: RMB468,668,000).

The employee share-based compensation reserve comprises the fair value of share options and share awards granted which are yet to be exercised, as further explained in the accounting policy for equity compensation benefits in note 3.3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from three to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Within one year	23,713	–

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements with lease terms of one year. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of buildings as follows:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Within one year	253	539

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments as at the end of the reporting period:

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Construction in progress	–	–
Contracted, but not provided for:		
Construction in progress	–	1,851
Investments	63,500	–
	63,500	1,851

At the end of the reporting period, the Company did not have any significant commitments.

36. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, during the current year, the Group had the following transaction:

	2014	2013
	RMB'000	*RMB'000*
Service fee paid	–	506

The Company entered into a subcontract agreement with Beijing Caiyun Online Technologies Co., Ltd. (a subsidiary of Duomi Music) dated 4 November 2011 for software development and the provision of music downloading service. The service fee was substantially in line with those offered by external service providers.

The above related party transaction also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balance with an associate:

Details of the Group's balance with its associate at the end of the reporting period are disclosed in notes 22 and 25 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014	2013
	RMB'000	*RMB'000*
Short term employee benefits	3,473	2,771
Post-employment benefits	192	181
Equity-settled share option expenses	1,941	216
Equity-settled share award expenses	27	808
Total compensation paid to key management personnel	5,633	3,976

37. FINANCIAL INSTRUMENTS BY CATEGORY

Other than investments at fair value through profit or loss and conversion options embedded in preferred shares and convertible notes as disclosed in notes 23, 28 and 29, respectively, and available-for-sale investment as disclosed in note 20 to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013, were loans and receivables, and financial liabilities stated at amortised cost, respectively.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments are reasonable approximation of their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2014

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at fair value through profit or loss	443	–	–	443
Conversion option embedded in preferred shares	–	–	9,242	9,242
Conversion option embedded in convertible notes	–	–	32,176	32,176
	443	–	41,418	41,861

As at 31 December 2013

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at fair value through profit or loss	10,316	–	–	10,316
Conversion option embedded in preferred shares	–	–	13,015	13,015
	10,316	–	13,015	23,331

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the current and prior years.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 above.

(a) Credit risk

The maximum credit risk exposure of the Group is the gross carrying value of each of its financial assets. As mentioned in note 3.3 above, the Mobile and Telecom Service Fees and the revenue from providing value-added services of the Group are substantially derived from co-operative arrangements with China Mobile and China Unicom (the "Mobile Telecommunications Operators"). If the strategic relationship with either of the Mobile Telecommunications Operators is terminated or scaled-back, or if the Mobile Telecommunications Operators alter the co-operative arrangements, the Group's mobile and telecommunications value-added services might be adversely affected. Since the Group mainly trades with the Mobile Telecommunications Operators, which are recognised and creditworthy third parties, the directors of the Company do not consider these counterparties to be of significant credit risk. Apart from this, the directors of the Company do not consider there are significant concentrations of credit risk.

However, the credit risk relating to the end customers of the services offered by the Group was shared by the Mobile Telecommunications Operators and the Group.

(b) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient amount of bank deposits and the use of a bank loan to ensure that operational requirements are fulfilled.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2014

RMB'000

	Group			
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Total**
Trade payables *(note 25)*	35,391	–	–	35,391
Other payables and accruals *(note 26)*	71,540	–	–	71,540
	106,931	–	–	106,931

As at 31 December 2013

RMB'000

	Group			
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Total**
Trade payables *(note 25)*	28,967	–	–	28,967
Other payables and accruals *(note 26)*	80,126	–	–	80,126
	109,093	–	–	109,093

(c) Capital management

The primary objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing its services commensurately with the level of risk.

The Group monitors capital on the basis of the net cash over the debt position, which is cash and cash equivalents less trade payables, other payables and accruals. The amounts of the net cash over debt position at the end of the reporting periods were as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Cash and cash equivalents	316,458	449,157
Trade payables	(35,391)	(28,967)
Other payables and accruals	(71,540)	(80,126)
Net cash over debt position	209,527	340,064

40. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group paid the second installment amounting to RMB22 million for the acquisition of an investment and paid a total consideration of RMB20 million for acquisition of 10% equity interests of a new investment.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

Set out below are the consolidated financial statements of the Group for the financial year ended 31 December 2013 extracted from the annual report of the Company for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE		189,736	345,093
Business tax		(2,237)	(5,717)
Net revenue	6	187,499	339,376
Cost of services provided		(125,339)	(223,094)
Gross profit		62,160	116,282
Other income and gains, net	6	111,420	19,770
Selling and marketing expenses		(55,573)	(90,055)
Administrative expenses		(49,152)	(50,347)
Other expenses, net		(15,604)	(2,735)
Share of losses of associates	19	(31,964)	(19,526)
Share of loss of a joint venture	20	(67)	(73)
PROFIT/(LOSS) BEFORE TAX	7	21,220	(26,684)
Income tax expense	10	(12,747)	(3,328)
PROFIT/(LOSS) FOR THE YEAR		8,473	(30,012)
Attributable to:			
Owners of the Company	11	9,820	(29,868)
Non-controlling interests		(1,347)	(144)
		8,473	(30,012)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic (RMB per share)		0.8 cents	(4.9 cents)
Diluted (RMB per share)		0.8 cents	(4.9 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	**2012**
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	8,473	(30,012)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange realignment	(7,743)	(122)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	730	(30,134)
Attributable to:		
Owners of the Company	2,077	(29,990)
Non-controlling interests	(1,347)	(144)
	730	(30,134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	132,563	135,520
Investment properties	15	210,800	–
Prepaid land lease payments	16	13,855	26,240
Goodwill		1,515	1,515
Prepayment for acquisition of items of property, plant and equipment		1,051	8,160
Intangible assets	17	6,799	29,077
Investments in associates	19	3,318	3,651
Investment in a joint venture	20	3,360	3,427
Deferred tax assets	28	2,906	1,193
Conversion option embedded in preferred shares	29	13,015	12,600
Debt portion of preferred shares	29	–	26,890
Total non-current assets		389,182	248,273
CURRENT ASSETS			
Accounts receivable	21	51,141	53,100
Prepayments, deposits and other receivables	22	19,081	21,275
Investments at fair value through profit or loss	23	10,316	1,371
Restricted cash balances	24	16,476	2,940
Time deposits with original maturity of more than three months	24	–	8,318
Cash and cash equivalents	24	449,157	374,562
Total current assets		546,171	461,566
CURRENT LIABILITIES			
Accounts payable	25	28,967	30,262
Other payables and accruals	26	80,126	79,096
Tax payable		5,160	5,113
Deferred income		7,770	3,533
Total current liabilities		122,023	118,004
NET CURRENT ASSETS		424,148	343,562

	Notes	2013 RMB'000	2012 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		813,330	591,835
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	*27*	–	69,567
Deferred tax liabilities	*28*	14,644	1,382
Deferred income		12,800	5,620
Total non-current liabilities		27,444	76,569
Net assets		785,886	515,266
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*30*	11,914	4,203
Reserves	*33(a)*	775,213	510,957
		787,127	515,160
Non-controlling interests		(1,241)	106
Total equity		785,886	515,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company													
	Issued capital *RMB'000* *(note 30)*	Share premium account *RMB'000* *(note 30)*	Shares held under share award scheme *RMB'000* *(note 32)*	Merger reserve *RMB'000* *(note 33(a))*	Surplus contributions *RMB'000* *(note 33(a))*	Employee share-based compensation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000* *(note 33(a))*	Reserve fund *RMB'000* *(note 33(a))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2012	4,201	184,959	(1,816)	29,135	10,522	20,394	2,132	10,833	21,399	4,422	254,597	540,778	–	540,778
Loss for the year	–	–	–	–	–	–	–	–	–	–	(29,868)	(29,868)	(144)	(30,012)
Other comprehensive loss for the year:														
Exchange realignment	–	–	–	–	–	–	(122)	–	–	–	–	(122)	–	(122)
Total comprehensive loss for the year	–	–	–	–	–	–	(122)	–	–	–	(29,868)	(29,990)	(144)	(30,134)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	250	250
Exercise of share options	2	475	–	–	–	(324)	–	–	–	–	–	153	–	153
Equity-settled share-based payment arrangements	–	–	–	–	–	4,219	–	–	–	–	–	4,219	–	4,219
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(2,198)	–	–	–	–	2,198	–	–	–
Employee share award scheme:														
– release of award shares	–	–	441	–	–	(441)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	–	–	–	244	–	(244)	–	–	–
At 31 December 2012	4,203	185,434*	(1,375)*	29,135*	10,522*	21,650*	2,010*	10,833*	21,643*	4,422*	226,683*	515,160	106	515,266

	Attributable to owners of the Company													
	Issued capital *RMB'000* *(note 30)*	Share premium account *RMB'000* *(note 30)*	Shares held under share award scheme *RMB'000* *(note 32)*	Merger reserve *RMB'000* *(note 33(a))*	Surplus contributions *RMB'000* *(note 33(a))*	Employee share-based compensation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Capital reserve *RMB'000*	Statutory reserve funds *RMB'000* *(note 33(a))*	Reserve fund *RMB'000* *(note 33(a))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2012 and 1 January 2013	4,203	185,434	(1,375)	29,135	10,522	21,650	2,010	10,833	21,643	4,422	226,683	515,160	106	515,266
Profit for the year	–	–	–	–	–	–	–	–	–	–	9,820	9,820	(1,347)	8,473
Other comprehensive loss for the year:														
Exchange realignment	–	–	–	–	–	–	(7,743)	–	–	–	–	(7,743)	–	(7,743)
Total comprehensive income for the year	–	–	–	–	–	–	(7,743)	–	–	–	9,820	2,077	(1,347)	730
Rights issue	7,711	269,904	–	–	–	–	–	–	–	–	–	277,615	–	277,615
Equity-settled share-based payment arrangements	–	–	–	–	–	1,555	–	–	–	–	–	1,555	–	1,555
Share issue expenses	–	(4,568)	–	–	–	–	–	–	–	–	–	(4,568)	–	(4,568)
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(1,091)	–	–	–	–	1,091	–	–	–
Employee share award scheme:														
– share purchased for share award scheme	–	–	(4,712)	–	–	–	–	–	–	–	–	(4,712)	–	(4,712)
– release of award shares	–	–	281	–	–	(281)	–	–	–	–	–	–	–	–
Transfer from retained profits	–	–	–	–	–	–	–	–	29	–	(29)	–	–	–
At 31 December 2013	11,914	450,770*	(5,806)*	29,135*	10,522*	21,833*	(5,733)*	10,833*	21,672*	4,422*	237,565*	787,127	(1,241)	785,886

* These reserve accounts comprise the consolidated reserves of RMB775,213,000 (2012: RMB510,957,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		21,220	(26,684)
Adjustments for:			
Depreciation	7	1,439	1,454
Amortisation of prepaid land lease payments	7	585	585
Amortisation of intangible assets	7	9,288	8,579
Gain on disposal of a subsidiary	6	(256)	–
Loss on disposal of investments at fair value through profit or loss	7	1,084	555
Impairment of an intangible asset	7	12,889	–
Loss/(gain) on disposal of items of property, plant and equipment	7	34	(6)
Fair value loss/(gain) on investments at fair value through profit or loss	7	55	(598)
Fair value gain on conversion option embedded in preferred shares	6	(415)	(1,575)
Fair value gains on investment properties	6	(90,158)	–
Government grant released	6	–	(2,613)
Bank interest income	6	(15,474)	(14,414)
Imputed interest income	6	(4,741)	(215)
Share of losses of associates	19	31,964	19,526
Share of loss of a joint venture	20	67	73
Impairment of accounts receivable	7	132	1,184
Impairment of other receivables	7	–	820
Write-back of impairment of accounts receivable	7	(1,545)	–
Equity-settled share option expense	7	968	1,569
Equity-settled share award expense	7	587	2,650
		(32,277)	(9,110)
Decrease in accounts receivable		3,372	774
Decrease in prepayments, deposits and other receivables		2,114	1,558
(Decrease)/increase in accounts payable		(1,295)	3,779
Decrease in other payables and accruals		(11,972)	(3,997)
Increase in deferred income		11,417	4,958
Cash used in operations		(28,641)	(2,038)
Tax paid		(1,151)	(2,276)
Net cash flows used in operating activities		(29,792)	(4,314)

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of a subsidiary	34	760	–
Purchases of items of property, plant and equipment		(74,272)	(70,772)
Proceeds from disposal of items of property, plant and equipment		430	636
Purchases of intangible assets	17	(593)	(3,615)
Purchases of investments at fair value through profit or loss		(128,656)	(1,000)
Proceeds from disposal of investments at fair value through profit or loss		118,572	1,552
Purchase of preferred shares		(11,314)	(26,386)
Purchase of an interest in a joint venture		–	(3,500)
Interest received		15,474	14,414
Increase in restricted cash		(13,536)	(2,940)
Increase in prepayments for acquisition of items of property, plant and equipment		(567)	(8,160)
Decrease in short term time deposits with original maturity of more than three months		8,318	63,593
Net cash flows used in investing activities		(85,384)	(36,178)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue		277,615	153
Share issue expenses		(4,568)	–
Purchase of award shares		(4,712)	–
New bank loan		13,272	56,567
Repayment of bank loan		(82,839)	–
Interest paid	8	(1,254)	(2,390)
Capital contribution from non-controlling shareholders		–	250
Net cash flows from financing activities		197,514	54,580
NET INCREASE IN CASH AND CASH EQUIVALENTS		82,338	14,088
Cash and cash equivalents at beginning of year		374,562	360,596
Effect of foreign exchange rate changes, net		(7,743)	(122)
CASH AND CASH EQUIVALENTS AT END OF YEAR		449,157	374,562

	Notes	2013 RMB'000	2012 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	337,301	194,039
Time deposits with original maturity of less than three months when acquired	24	111,856	180,523
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		449,157	374,562

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	103,305	101,750
Total non-current assets		103,305	101,750
CURRENT ASSETS			
Other receivables		94	125
Amounts due from subsidiaries	18	381,099	107,912
Cash and cash equivalents	24	5,093	13,525
Total current assets		386,286	121,562
CURRENT LIABILITIES			
Other payables and accruals		1,911	635
Total current liabilities		1,911	635
NET CURRENT ASSETS		384,375	120,927
Net assets		487,680	222,677
EQUITY			
Issued capital	30	11,914	4,203
Reserves	33(b)	475,766	218,474
Total equity		487,680	222,677

NOTES TO FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

A8 Digital Music Holdings 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 year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing digital entertainment services including digital music and mobile games in the People's Republic of China (the "PRC" or "Mainland China").

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") approved by the International Accounting Standards Committee that remain in effect.

The financial statements have been prepared under the historical cost convention, except for investment properties, investments at fair value through profit or loss and a conversion option embedded in the preferred shares which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	*Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities-Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose as follows:

Computer equipment	3 to 5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Over the shorter of the lease terms and useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at the completion date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks, licences and software

Purchased trademarks, licences and software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of two to ten years.

Music copyrights

Music copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Preferred shares held by the Group are separately presented as a debt portion and conversion option embedded in preferred shares. On initial recognition, the debt portion represents the residual between the fair value of the preferred shares and the fair value of the embedded conversion option. The debt portion is classified as loans and receivables and is subsequently measured at amortised cost using the effective interest method.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and accruals and interest-bearing bank borrowing.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing bank and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue from the rendering of services is recognised when the related services are provided.

The Group principally derives revenue from selling music content through mobile phones as ringtones, ringback tones and interactive voice response music in the PRC.

These services are predominantly delivered through the platforms of various subsidiaries of China Mobile Communications Corporation ("China Mobile") and China United Telecommunications Corporation ("China Unicom"). These services are substantially billed on a monthly subscription basis with certain portions billed on a per-message basis (the "Mobile and Telecom Service Fees") and the fees are substantially collected by the subsidiaries of China Mobile and China Unicom on behalf of the Group.

Gross revenue is recognised based on the Mobile and Telecom Service Fees, net of the amount of the uncollectibles.

China Mobile and China Unicom are entitled to commissions, which are calculated based on agreed percentages of the Mobile and Telecom Service Fees received or receivable by these mobile operators. In addition, in certain cases, the two mobile operators charge a network usage fee based on a fixed per-message fee multiplied by the excess of messages sent over messages received between the platforms of the Group and these two mobile operators. These commissions and network usage fees (collectively referred to as the "Mobile and Telecom Charges") are retained by the mobile operators, and are reflected as costs of services provided in the consolidated statement of profit or loss of the Group. The Mobile and Telecom Charges are withheld and deducted from the gross Mobile and Telecom Service Fees collected by the two mobile operators from the users, with the net amounts remitted to the Group.

The Mobile and Telecom Service Fees and the Mobile and Telecom Charges, or the net amount of the two, are confirmed and/or advised by subsidiaries of China Mobile and China Unicom to the Group on a regular basis. For revenue whose amount is not confirmed/advised by the two mobile operators at the time of reporting the financial results of the Group, management of the Group estimates the amount receivable based on historical data, which reflect developing trends in customer payment delinquencies. Historical data used in estimating revenues include the most recent history of the Mobile and Telecom Service Fees actually derived from the operators, the number of subscriptions and the volume of data transmitted between the network gateways of the Group, China Mobile and China Unicom. Adjustments are made in subsequent periods in case the actual revenue amounts are different from the original estimates.

Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

Pension obligations

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Equity compensation benefits

The Company operates a Pre-IPO share option scheme, the share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments transaction, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares held for share award scheme

As disclosed in note 32 to the financial statements, the Group has set up a trust for the share award scheme, where the trust purchases shares issued by the Group, the consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for the Share Award Scheme" and deducted from the Group's equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the functional and presentation currency of the Company's subsidiaries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and certain subsidiaries is Hong Kong dollars ("HK$"). As at the end of the reporting period, the assets and liabilities of the Company and the subsidiaries are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and the statements of profit or loss of the Company and the subsidiaries are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and the subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and the subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

As further detailed in note 18(a) below, A8 Music Group Limited does not have equity ownership in certain subsidiaries of the Group (collectively "Subsidiaries under Contractual Agreements"). Nevertheless, under the contractual agreements entered into between the Subsidiaries under Contractual Agreements, their respective registered owners and certain subsidiaries of the Group, management has determined that the Group controls the financial and operating policies of the Subsidiaries under Contractual Agreements so as to obtain benefits from their activities. As such, the Subsidiaries under Contractual Agreements and their respective subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax on investment properties, the directors have determined that the presumption set out in IAS 12 *Income Taxes* that investment properties measured using the fair value model are recovered through sale is rebutted.

(ii) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Recognition of telecommunications value-added services

As mentioned in the "Revenue recognition" section of note 3.3, for the Mobile and Telecom Service Fees not yet confirmed/advised by the mobile operators at the time of reporting the financial results of the Group, management of the Group estimates the amounts receivable based on historical data and developing trends in customer payment delinquencies.

Fair value of investment properties

Investment properties including completed investment properties and investment properties under construction are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. These valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used.

5. 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 digital music and mobile games. 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.

Revenue of approximately RMB106,386,000 (2012: RMB200,020,000) and RMB20,476,000 (2012: RMB33,287,000), respectively, were derived from providing mobile value-added services through mobile phones to the two largest customers.

6. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2013	**2012**
	RMB'000	*RMB'000*
Revenue		
Ringback tone services	86,094	192,412
Other music related services	43,223	33,193
Games	37,177	29,441
Other entertainment services	23,242	90,047
	189,736	345,093
Less: Business tax	(2,237)	(5,717)
Net revenue	187,499	339,376
Other income and gains, net		
Bank interest income	15,474	14,414
Imputed interest income	4,741	215
Government grant released *(note)*	–	2,613
Gain on disposal of a subsidiary *(note 34)*	256	–
Gain on disposal of items of property, plant and equipment	–	6
Fair value gains on investments at fair value through profit or loss	–	598
Fair value gains on investment properties	90,158	–
Fair value gain on conversion option embedded in preferred shares	415	1,575
Foreign exchange differences, net	–	191
Others	376	158
	111,420	19,770

Note:

In 2012, a government grant was received by the Group for developing high and new technology industry in Shenzhen in relation to Shenzhen's government policy. There are no unfulfilled conditions or contingencies relating to this grant.

7. PROFIT/(LOSS) BEFORE TAX

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

	2013	**2012**
	RMB'000	*RMB'000*
Depreciation	1,439	1,454
Amortisation of intangible assets#	9,288	8,579
Amortisation of prepaid land lease payments#	585	585
Operating lease rentals in respect of office buildings	6,262	7,373
Auditors' remuneration	1,356	1,367
Employee benefit expense (including directors' remuneration *(note 9)*):		
Wages, salaries and bonuses	34,110	39,195
Welfare, medical and other expenses	4,544	4,307
Contributions to social security plans	5,579	5,373
Equity-settled share option expense	968	1,569
Equity-settled share award expense	587	2,650
	45,788	53,094
Impairment of accounts receivable**	132	1,184
Write-back of impairment of accounts receivable**	(1,545)	–
Impairment of other receivables**	–	820
Impairment of an intangible asset**	12,889	–
Foreign exchange differences, net**	2,528	(191)
Mobile and Telecom Charges*	78,246	137,586
Loss/(gain) of disposal of items of property, plant and equipment**/***	34	(6)
Loss on disposal of investments at fair value through profit or loss**	1,084	555
Fair value losses/(gains) on investments at fair value through profit or loss**/***	55	(598)

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

* Included in "Cost of services provided" on the face of the consolidated statement of profit or loss.

** Included in "Other expenses, net" on the face of the consolidated statement of profit or loss.

*** Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Interest on bank loan	1,254	2,390
Less: Interest capitalised	(1,254)	(2,390)
	–	–

9. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	2013	**2012**
	RMB'000	*RMB'000*
Fees	281	275
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	1,811	2,329
Share-based payments	635	738
Pension scheme contributions	110	94
	2,556	3,161
	2,837	3,436

During the prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above directors' remuneration disclosures.

Further details are set out in note 31 to the financial statements.

(i) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

2013

	Fees	Bonuses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Independent non-executive directors:			
Mr. Chan Yiu Kong	144	–	144
Mr. Song Ke*	42	–	42
Mr. Zeng Liqing#	23	–	23
Ms. Wu Shihong	72	–	72
	281	–	281

2012

	Fees	Bonuses	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Independent non-executive directors:			
Mr. Hui, Harry Chi@	16	–	16
Mr. Chan Yiu Kong	146	–	146
Mr. Zeng Liqing#	57	–	57
Ms. Wu Shihong^	56	–	56
	275	–	275

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

* Appointed as independent non-executive director on 30 May 2013.

\# Resigned as independent non-executive director on 30 May 2013.

^ Appointed as independent non-executive director on 27 March 2012.

@ Resigned as independent non-executive director on 27 March 2012.

(ii) Executive directors and non-executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2013					
Executive directors:					
Mr. Liu Xiaosong ("Mr. Liu")*	–	893	–	49	942
Mr. Lu Bin	–	918	635	61	1,614
	–	1,811	635	110	2,556
2012					
Executive directors:					
Mr. Liu	–	1,279	40	39	1,358
Mr. Lu Bin	–	1,050	698	55	1,803
	–	2,329	738	94	3,161
Non-executive director:					
Mr. Li Wei#	–	–	–	–	–
	–	2,329	738	94	3,161

* Mr. Liu is also the chief executive of the Company.

\# Resigned as non-executive director on 27 March 2012.

(b) Five highest paid individuals

The five highest paid individuals included two (2012: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining three (2012: three) non-director, highest paid individuals for the year are as follows:

	2013	**2012**
	RMB'000	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	2,442	2,230
Equity-settled share option expense	216	208
Equity-settled share award expense	382	243
Pension scheme contributions	218	214
	3,258	2,895

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	**2012**
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$2,000,000	2	1
	3	3

(c) During the year, no emoluments were paid by the Group to the directors, or any of the non-director, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office nor has any director or non-director, highest paid individual waived or agreed to waive any emoluments.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing rates in the jurisdictions in which the subsidiaries operate.

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

	2013	**2012**
	RMB'000	*RMB'000*
Group		
Current-PRC		
Charge for the year	873	975
Underprovision/(overprovision) in prior years	325	(787)
Deferred *(note 28)*	11,549	3,140
Total tax charge for the year	12,747	3,328

The 5th Session of the 10th National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New Corporate Income Tax Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations (the "DIR") on 6 December 2007, which became effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. However, for enterprises which were established before the publication of the New Corporate Income Tax Law and were entitled to preferential treatments of reduced corporate income tax rates granted by the relevant tax authorities, the new corporate income tax rate may be gradually increased to 25% within five years after the effective date of the New Corporate Income Tax Law. For regions that enjoy a reduced corporate income tax rate at 15%, the corporate income tax rate will gradually increase to 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Beijing Yuesheng Feiyang Music Culture Broadcasting Co., Ltd. ("Yuesheng Feiyang") and Shenzhen Huadong Feitian Technology Co., Ltd. ("Huadong Feitian") were subject to a preferential tax rate of 15% as they were recognised as high technology enterprises for the year ended 31 December 2013.

Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. ("Yunhai Qingtian") was recognised as a newly set-up software production enterprise in 2010 and was therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2010 and a 50% tax relief for the three years thereafter.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

			2013			
	Hong Kong		**The PRC, excluding Hong Kong**		**Total**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	4,015		17,205		21,220	
Tax at the statutory tax rate	662	16.5	4,309	25.0	4,971	23.4
Preferential tax rates	–	–	(6,320)	(36.7)	(6,320)	(29.8)
Super-deduction of research and development expenditure	–	–	(490)	(2.8)	(490)	(2.3)
Adjustments in respect of current tax of previous periods	–	–	325	1.9	325	1.5
Income not subject to tax	(1,040)	(25.9)	(5)	–	(1,045)	(4.9)
Expenses not deductible for tax	378	9.4	4,205	24.4	4,583	21.6
Losses attributable to a joint venture and associates	–	–	8,008	46.5	8,008	37.8
Tax losses not recognised	–	–	2,715	15.8	2,715	12.8
Tax charge at the Group's effective rate	–	–	12,747	74.1	12,747	60.1

	2012					
	Hong Kong		The PRC, excluding Hong Kong		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Loss before tax	(733)		(25,951)		(26,684)	
Tax at the statutory tax rate	(121)	16.5	(6,488)	25.0	(6,609)	24.8
Preferential tax rates	–	–	(439)	1.7	(439)	1.6
Super-deduction of research and development expenditure	–	–	(921)	3.5	(921)	3.5
Adjustments in respect of current tax of previous periods	–	–	(787)	3.0	(787)	2.9
Income not subject to tax	(273)	37.2	(9)	–	(282)	1.1
Expenses not deductible for tax	394	(53.7)	5,028	(19.4)	5,422	(20.3)
Losses attributable to a joint venture and associates	–	–	4,900	(18.9)	4,900	(18.4)
Tax losses utilised from previous periods	–	–	(24)	0.1	(24)	0.1
Tax losses not recognised	–	–	2,068	(8.0)	2,068	(7.7)
Tax charge at the Group's effective rate	–	–	3,328	(13.0)	3,328	(12.4)

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2013 includes a loss of RMB4,760,000 (2012: RMB1,801,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2013 (2012: Nil).

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

The calculation of the basic earnings/(loss) per share amount for the year ended 31 December 2013 is based on the profit for the year attributable to equity holders of the Company of RMB9,820,000 (2012: loss of RMB29,868,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the year of 1,219,482,000 (2012: 612,801,000), as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the years ended 31 December 2013 and 2012 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 earnings/(loss) per share amount presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Computer equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	10,227	1,334	2,114	4,110	131,628	149,413
Accumulated depreciation	(6,694)	(1,334)	(1,926)	(3,939)	–	(13,893)
Net carrying amount	3,533	–	188	171	131,628	135,520
At 1 January 2013, net of accumulated depreciation	3,533	–	188	171	131,628	135,520
Additions	847	2,497	–	–	104,174	107,518
Disposals	(384)	(80)	–	–	–	(464)
Depreciation provided during the year	(1,267)	(35)	(130)	(7)	–	(1,439)
Transfer to investment properties *(note 15)*	–	–	–	–	(108,572)	(108,572)
At 31 December 2013, net of accumulated depreciation	2,729	2,382	58	164	127,230	132,563
At 31 December 2013:						
Cost	10,204	2,666	2,114	4,110	127,230	146,324
Accumulated depreciation	(7,475)	(284)	(2,056)	(3,946)	–	(13,761)
Net carrying amount	2,729	2,382	58	164	127,230	132,563

	Computer equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2012						
At 1 January 2012:						
Cost	11,520	1,452	2,094	4,010	55,817	74,893
Accumulated depreciation	(7,040)	(1,452)	(2,088)	(3,804)	–	(14,384)
Net carrying amount	4,480	–	6	206	55,817	60,509
At 1 January 2012, net of accumulated depreciation	4,480	–	6	206	55,817	60,509
Additions	763	73	348	100	75,811	77,095
Disposals	(558)	(56)	(16)	–	–	(630)
Depreciation provided during the year	(1,152)	(17)	(150)	(135)	–	(1,454)
At 31 December 2012, net of accumulated depreciation	3,533	–	188	171	131,628	135,520
At 31 December 2012:						
Cost	10,227	1,334	2,114	4,110	131,628	149,413
Accumulated depreciation	(6,694)	(1,334)	(1,926)	(3,939)	–	(13,893)
Net carrying amount	3,533	–	188	171	131,628	135,520

15. INVESTMENT PROPERTIES

	Group 2013 RMB'000	Group 2012 RMB'000
Under construction		
Carrying amount at 1 January	–	–
Transfer from property, plant and equipment *(note 14)*	108,572	–
Transfer from prepaid land lease payments *(note 16)*	12,070	–
Fair value gain on investment properties	90,158	–
Carrying amount at 31 December	210,800	–

The Group's investment properties under construction are situated in Mainland China and are held under medium term leases.

The Group's investment properties under construction were revalued on 31 December 2013 based on valuation performed by Asset Appraisal Limited, independent professionally qualified valuers.

The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Office	–	–	210,800	210,800

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Office	Residual approach (refer above)	Estimated rental value (per sq.m.)	RMB79
		Rental growth rate (p.a.)	5.0%
		Discount rate	9.85%

A significant increase/(decrease) in the estimated rental value per square meter and the rental growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental growth rate per annum and the discount rate.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Carrying amount at 1 January	26,825	27,410
Recognised during the year	(585)	(585)
Transfer to investment properties *(note 15)*	(12,070)	–
Carrying amount at 31 December	14,170	26,825
Current portion included in prepayments, deposits and other receivables *(note 22)*	(315)	(585)
Non-current portion	13,855	26,240

The leasehold land is situated in Mainland China and is held under a medium term lease.

As at 31 December 2012, the leasehold land was pledged as security for the bank loan granted to the Group (note 27(a)).

17. INTANGIBLE ASSETS

Group

	Trademarks, licenses and software *RMB'000*	**Music copyrights** *RMB'000*	**Total** *RMB'000*
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	23,917	5,160	29,077
Additions	24	569	593
Amortisation provided during the year	(6,929)	(2,359)	(9,288)
Disposal of a subsidiary *(note 34)*	(694)	–	(694)
Impairment during the year *(note)*	(12,889)	–	(12,889)
At 31 December 2013	3,429	3,370	6,799
At 31 December 2013:			
Cost	41,236	7,180	48,416
Accumulated amortisation and impairment	(37,807)	(3,810)	(41,617)
Net carrying amount	3,429	3,370	6,799
31 December 2012			
Cost at 1 January 2012, net of accumulated amortisation	29,115	1,740	30,855
Additions	2,128	4,673	6,801
Amortisation provided during the year	(7,326)	(1,253)	(8,579)
At 31 December 2012	23,917	5,160	29,077
At 31 December 2012:			
Cost	41,906	6,611	48,517
Accumulated amortisation	(17,989)	(1,451)	(19,440)
Net carrying amount	23,917	5,160	29,077

Note:

An impairment was recognised for a music software with a net carrying amount of RMB12,889,000 which is considered to be not recoverable based on value in use due to the postponement of the mobile music downloading charge in mid-2013, the high music copyright costs, and the significant change in mobile music business model in 2013 from charge on music downloading service to mobile music entertainment or music value-added services. As the music software was tailor-made primarily for old version of operating system-supported mobile internet application for music downloading when developed in 2011 without functions for any value-added services, the significant change in the mobile music business model in 2013 would require an entire upgrade of the music software from pure music downloading platform to music entertainment platform which is estimated to be costly by management. Besides, through investment in Duomi Music Holding Limited ("Duomi Music"), the Group can enjoy the benefit from the rapid growth of mobile music market in China. As such, management considered it is not commercially viable for the Group to continue to develop and upgrade the music software based on the current business trend in mobile music market in China, and hence, the recoverable amount is nil as at 31 December 2013.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	**2012**
	RMB'000	*RMB'000*
Unlisted shares, at cost	74,333	74,333
Capital contribution in respect of share-based compensation	28,972	27,417
	103,305	101,750

The amounts due from subsidiaries, included in the Company's current assets, are unsecured, interest-free and have no fixed terms of repayment.

(a) Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment	Paid-up issued/registered capital	Percentage of equity/ interest attributable to the Company Direct	Indirect	Principal activities
A8 Music Group Limited ("A8 Music") *(note (ii))*	British Virgin Islands	Ordinary shares US$64,500 Preferred shares US$9,300	100	–	Investment holding
佳仕域信息科技(深圳)有限公司 Cash River Information Technology (Shenzhen) Co., Ltd. *(note (ii))**#	PRC	HK$40,000,000 Registered capital	–	100	Development of computer software and provision of technical and management consultancy services
深圳市華動飛天網絡技術開發有限公司 Shenzhen Huadong Feitian Network Development Co., Ltd. ("Huadong Feitian") *(notes (i) and (ii))**@	PRC	RMB28,680,000 Registered capital	–	100	Provision of telecommunications instant messaging and value-added services
深圳市雲海情天文化傳播有限公司 Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Development of computer software and provision of technical and management consultancy services
深圳市快通聯科技有限公司 Shenzhen Kuaitonglian Technology Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services

Company name	Place of incorporation/ establishment	Paid-up issued/registered capital	Percentage of equity/ interest attributable to the Company Direct	Indirect	Principal activities
北京創盟音樂文化發展有限公司 Beijing Chuangmeng Yinyue Culture Development Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB5,000,000 Registered capital	–	100	Provision of mobile value-added services
北京愛樂空間文化傳播有限公司 Beijing Aiyue Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京樂聲飛揚音樂文化傳播有限公司 Beijing Yuesheng Feiyang Music Culture Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京天籟印象文化傳播有限公司 Beijing Tianlai Cultural Broadcasting Co., Ltd. ("Tianlai") *(notes (i) and (ii))**@	PRC	RMB20,000,000 Registered capital	–	100	Provision of mobile value-added services
江蘇廣視科貿發展有限公司 Jiangsu Guangshi Science and Trade Development Limited *(notes (i) and (ii))**@	PRC	RMB10,070,000 Registered capital	–	100	Provision of mobile value-added services
福州卓龍天訊信息技術有限公司 Fuzhou Zhuolong Tianxiu Information Technology Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京樂音無限文化傳播有限公司 Beijing Yueyin Wuxian Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	100	Provision of mobile value-added services
普好有限公司 Total Plus Limited	Hong Kong	HK$97,045 Issued capital	–	100	Investment holding

Company name	Place of incorporation/ establishment	Paid-up issued/registered capital	Percentage of equity/ interest attributable to the Company Direct	Indirect	Principal activities
北京布拉琪音樂文化傳媒有限公司 Beijing Bulaqi Music Cultural Broadcasting Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	100	Holding of music patents and licenses
北京掌中地帶信息科技有限公司 Beijing Zhangzhong Didai Information Technology Ltd. *(notes (i) and (ii))**@	PRC	RMB10,000,000 Registered capital	–	100	Provision of mobile value-added services
北京環宇信誠軟件開發有限公司 Beijing Huanyu Xincheng Software Development Co., Ltd. ("Huanyu Xincheng") *(note (ii))**#	PRC	RMB10,000,000 Registered capital	–	100	Dormant
深圳市掌翼天下有限公司 Shenzhen Zhangyi Tianxia Development Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB3,000,000 Registered capital	–	100	Development of home wireless music system
茂御有限公司 Phoenix Success Limited ("Phoenix Success")	Hong Kong	HK$1 Issued capital	100	–	Investment holding
北京悅音經典網絡科技有限公司 Beijing Yueyin Jingdian Network Technology Co., Ltd. *(notes (i) and (ii))**@	PRC	RMB1,000,000 Registered capital	–	75	Provision of mobile value-added services
深圳市飛樂物業服務有限公司 Shenzhen Feiyue Wuye Management Services Co., Ltd. (notes (i) and (ii))*@	PRC	RMB500,000 Registered capital	100	–	Dormant

* The English names of these companies are the direct translations of their Chinese names, as no English names have been registered or are available.

\# Registered as a wholly-foreign-owned enterprise under PRC law.

@ Registered as domestic limited liability companies under PRC law.

Notes:

(i) The current PRC laws and regulations limit the provision of telecommunications value-added services by companies with foreign ownership, which include activities and services operated by these companies. In order to enable the Company to make investment in the telecommunications value-added services in the PRC, the equity interests of these companies are held by individual nominees on behalf of the Group and certain contractual agreements have been effectuated among these companies, their respective registered owners and Cash River, Huadong Feitian or Tianlai to the effect that the operating and financial decisions of these companies are effectively controlled by the Company.

As a result of the contractual agreements, these companies are accounted for as subsidiaries of the Company for accounting purposes.

(ii) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(b) Controlled special purpose entity

The Company has set up a trust, A8 Digital Music share award trust (the "Trust"), for the purpose of administering the share award scheme established by the Company (note 32). In accordance with IFRS 10 "Consolidated Financial Statements", the Company is required to consolidate the Trust as the Company has the power to govern the financial and operating policies of the Trust and can derive benefits from the contributions of employees who have been awarded the shares through their employment with the Group.

Special purpose entity	**Place of incorporation**	**Principal activities**
Law Debenture (Asia) Trust Limited-A8 Digital Music	Hong Kong	Administration and holding of the Company's shares for the share award scheme for the benefit of eligible employees

19. INVESTMENTS IN ASSOCIATES

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Share of net assets	676	1,009
Goodwill on acquisition	2,642	2,642
	3,318	3,651

In the opinion of the directors, the debt portion of preferred shares is considered as quasi-equity investments in the associate.

Particulars of the Group's associates are as follows:

Company name	Particulars of registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Ningmenghai Technology Co., Ltd. ("Ningmenghai") *(note (i) and (ii))**#	RMB5,000,000	PRC	19.34%	Provision of internet social network service
Duomi Music Holding Limited *(note (ii))**	USD50,000	Cayman Islands/ PRC	42.69%	Provision of online and connected digital music service

Notes:

(i) As at 31 December 2013, the Group owned a 19.34% equity interest in Ningmenghai (2012: 19.34%). Although the Group holds less than 20% of the equity interest in Ningmenghai, in the opinion of the Company's directors, the Group is in a position to exercise significant influence over Ningmenghai having considered the prevailing widely dispersed shareholding structure of Ningmenghai.

(ii) Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

* The above investments in associates are indirectly held by the Company.

The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material. The Group did not have any individually material associates for each of the reporting periods.

	2013	2012
	RMB'000	*RMB'000*
Share of the associates' loss for the year	(31,964)	(19,526)
Share of the associates' total comprehensive loss	(31,964)	(19,526)
Aggregate carrying amount of the Group's investments in the associates	3,318	3,651

The Group has discontinued the recognition of its share of losses of an associate, Duomi Music, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB1,536,000 (2012: RMB9,330,000) and RMB10,866,000 (2012: RMB9,330,000), respectively.

20. INVESTMENT IN A JOINT VENTURE

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	–	67
Goodwill on acquisition	3,360	3,360
	3,360	3,427

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activity
Nanjing Utooo Information Technology Co., Ltd. ("Utooo")	Registered and paid-up capital of RMB1,059,000	PRC	15%*	Mobile phone games provider

The above investment was not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

* Notwithstanding that the Group owned a 15% equity interest in Utooo, in the opinion of the Company's directors, the Group is in a position to have joint control over Utooo having considered that the other shareholders have contractually agreed the sharing of control over the key financial and operating activities of Utooo with the Group.

The following table illustrates the financial information of the Group's joint venture that is not material. The

Group did not have any material joint venture for each of the reporting periods.

	2013	2012
	RMB'000	*RMB'000*
Share of the joint venture's loss for the year	(67)	(73)
Share of the joint venture's total comprehensive loss	(67)	(73)
Carrying amount of the Group's investment in the joint venture	3,360	3,427

The Group has discontinued the recognition of its share of losses of a joint venture, Utooo, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this joint venture for the current year and cumulatively were RMB2,000 (2012: Nil) and RMB2,000 (2012: Nil), respectively.

21. ACCOUNTS RECEIVABLE

	Group 2013 RMB'000	Group 2012 RMB'000
Accounts receivable	53,311	56,683
Impairment	(2,170)	(3,583)
	51,141	53,100

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

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:

	Group 2013 RMB'000	Group 2012 RMB'000
Neither past due nor impaired:		
Within 1 month	15,338	14,053
Over 1 month but less than 2 months	13,721	8,315
Over 2 months but less than 3 months	3,692	9,112
Over 3 months but less than 4 months	2,861	5,171
Past due but not impaired:		
4 to 6 months	4,361	9,328
Over 6 months	11,168	7,121
	51,141	53,100

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

	Group 2013 RMB'000	Group 2012 RMB'000
At 1 January	3,583	2,399
Impairment losses recognised *(note 7)*	132	1,184
Write-back of impairment *(note 7)*	(1,545)	–
At 31 December	2,170	3,583

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Prepayments	11,340	8,532
Prepaid land lease payments *(note 16)*	315	585
Deposits and other receivables	10,912	15,644
Impairment	(3,486)	(3,486)
	19,081	21,275

The financial assets as at the end of the reporting period relate to receivables for which there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the other receivables is an amount due from the Group's associate of RMB663,000 (2012: Nil), which is unsecured, interest-free and repayable on demand.

The movements in the provision for other receivables are as follows:

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
At 1 January	3,486	2,666
Impairment losses recognised *(note 7)*	–	820
At 31 December	3,486	3,486

Included in the above provision for other receivables is a provision for individually impaired receivables of RMB3,486,000 (2012: RMB3,486,000) with a gross carrying amount of RMB3,486,000 (2012: RMB3,486,000). The individually impaired receivables relate to a portion of the receivables that is not expected to be recovered.

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Listed equity investments in Mainland China, at fair value	316	371
Unlisted investments, at fair value	10,000	1,000
	10,316	1,371

The above 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.

The Group's unlisted investments represent fund investments and the fair values were based on value quoted by the relevant financial institutions.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	353,777	196,979	5,093	13,525
Time deposits	111,856	188,841	–	–
	465,633	385,820	5,093	13,525
Less: Restricted cash	(16,476)	(2,940)	–	–
Time deposits with original maturity of more than three months	–	(8,318)	–	–
Cash and cash equivalents	449,157	374,562	5,093	13,525
Denominated in RMB	333,292	325,024	4	4
Denominated in other currencies	115,865	49,538	5,089	13,521
Cash and cash equivalents	449,157	374,562	5,093	13,525

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB are not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made with maturity of not more than three months and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

25. 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:

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Within 1 month	7,381	4,877
1 to 3 months	7,597	9,170
4 to 6 months	2,616	4,620
Over 6 months	11,373	11,595
	28,967	30,262

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

26. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Other payables	46,084	38,189
Accruals	34,042	40,907
	80,126	79,096

27. INTEREST-BEARING BANK BORROWING

Group

	2013			2012		
	Effective interest rate (%)	**Maturity**	**RMB'000**	**Effective interest rate (%)**	**Maturity**	**RMB'000**
Non-current						
Bank loan-secured	–	–	–	6.55%	2014-2015	69,567

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Analysed into:		
Bank loan repayable:		
In the second year	–	24,000
In the third to fifth years, inclusive	–	45,567
	–	69,567

Notes:

(a) As at 31 December 2012, the Group's bank loan was secured by the pledge of the Group's leasehold land situated in Mainland China, which had a carrying value of approximately RMB26,825,000 (note 16).

(b) As at 31 December 2012, the Group's entire bank borrowing was guaranteed by a subsidiary.

(c) The Group's bank borrowing was denominated in RMB.

28. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

Group

	Deductible temporary differences	Transfer of profit derived from contractual agreements	Fair value adjustments arising from acquisition of subsidiaries	Fair value gain on investments at fair value through profit or loss	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	4,594	(813)	(653)	(177)	–	2,951
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(3,401)	–	261	–	–	(3,140)
At 31 December 2012 and 1 January 2013	1,193	(813)	(392)	(177)	–	(189)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	1,713	–	261	–	(13,523)	(11,549)
At 31 December 2013	2,906	(813)	(131)	(177)	(13,523)	(11,738)

The Group has tax losses arising in Mainland China of RMB22,968,000 (2012: RMB12,108,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB282,599,000 at 31 December 2013 (2012: RMB280,065,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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

On 14 December 2012 (the "Completion Date"), Phoenix Success subscribed for 13,853,868 convertible redeemable preferred shares (the "preferred shares") at US$0.43 each for cash issued by Duomi Music. 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 fourth 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 embedded in preferred shares is deemed as held for trading and recognised at fair value through profit or loss on initial recognition with changes in fair value recognised in profit or loss subsequently. In the opinion of the directors, the debt portion of preferred shares is considered as part of the Group's investment in Duomi Music. As such, the debt portion was used to cover the share of loss of Duomi Music in 2013. The fair values of the conversion option embedded in preferred shares on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by independent qualified valuers, Grant Sherman Appraisal Limited. Details of the method and assumptions used in the Binomial Pricing Model in the valuation of the conversion option embedded in the preferred shares are as follows:

	31 December 2013	**31 December 2012**
Expected volatility *(i)*	43.37%	53.45%
Dividend yield	–	–
Option life (year(s))	3.96	4.96
Risk-free interest rate *(ii)*	1.22%	0.65%

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.

(ii) Risk-free interest rate was used by reference to the United States Treasury Bond Rate with similar maturity at the valuation date.

Generally, a change in the assumption made for the expected volatility is accompanied by a directionally similar change in the dividend yield and the option life and an opposite change in the risk-free interest rate.

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax at the end of 31 December 2013 and 2012 to a reasonably possible change in combined net effect of the dividend yield, risk-free interest rate and stock volatility of comparable companies (collectively the "Combined factors").

	Increase/ (decrease) in percentage	**Combined net effect on profit before tax** *RMB'000*
31 December 2013		
Combined factors	10	273
Combined factors	(10)	(315)

	Increase/ (decrease) in percentage	**Combined net effect on loss before tax** *RMB'000*
31 December 2012		
Combined factors	10	(1,273)
Combined factors	(10)	1,320

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 of 22.7% and 19.88% were used as at 31 December 2013 and 31 December 2012, respectively.

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

30. SHARE CAPITAL

Shares

	2013 *RMB'000*	**2012** *RMB'000*
Authorised:		
3,000,000,000 (2012: 3,000,000,000) ordinary shares of HK$0.01 each	26,513	26,513
Issued and fully paid:		
1,428,847,128 (2012: 476,282,376) ordinary shares of HK$0.01 each	11,914	4,203

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares	Share premium account	Equivalent nominal value of ordinary shares	Equivalent share premium account	Total
		HK$'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	475,976,496	4,761	209,458	4,201	184,959	189,160
Exercise of share options	305,880	4	583	2	475	477
As at 31 December 2012 and 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)
As at 31 December 2013	1,428,847,128	14,290	537,705	11,914	450,770	462,684

During the year, a rights issue of two rights shares for every existing share held by members on the register of members on 27 February 2013 was made, at an issue price of HK$0.36 per rights share, resulting in the issue of 952,564,752 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$342,923,000 (equivalent to RMB277,615,000).

During the prior year, a total of 305,880 share options under the Pre-IPO share option scheme were exercised at exercise prices ranging from HK$0.52 to HK$0.74 per share, for a total cash consideration, before expenses, of HK$197,000 (equivalent to RMB160,000).

31. SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

The Pre-IPO share option scheme was adopted by the Company to recognise and reward the past contribution of the employees of the Group and individuals or entities who have, in the opinion of the board of directors, contributed or will contribute to the growth and development of the Group (the "Eligible Participants"). The maximum number of shares which may be issued upon exercise of all options that can be granted under the Pre-IPO share option scheme is 18,702,400 shares. On 21 May 2008, share options to subscribe 18,702,400 shares were issued to 56 Eligible Participants with a minimum vesting period of three years and a maximum exercise period of four years. The exercise price ranges from HK$0.16 to HK$0.91 per share. No further share options under the Pre-IPO share option scheme have been granted since the listing of the shares of the Company on 26 May 2008 and no share options under the Pre-IPO share option scheme are exercisable within the first six months from 12 June 2008.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Pre-IPO share option scheme during the year:

	2013		2012	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	**Weighted average exercise price** *HK$ per share*	**Number of options** *'000*
At 1 January	–	–	0.65	340
Forfeited during the year	–	–	0.74	(34)
Exercised during the year	–	–	0.64	(306)
At 31 December	–	–	–	–

The weighted average share price at the date of exercise for share options exercised during the prior year was HK$0.97 per share.

No share options were outstanding as at 31 December 2013 and 31 December 2012.

(b) Share option scheme

The Company operates a share option scheme for the purpose of motivating eligible persons to optimise their future contribution to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with those eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The share option scheme became effective on 26 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options that can be granted under the share option scheme and any other schemes of the Group (including the Pre-IPO share option scheme) shall not in aggregate exceed 10% of the shares of the Company in issue when the share option scheme was approved, i.e., 44,052,800 shares.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time.

The maximum number of shares issuable under the share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non- executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the share option scheme during the year:

	2013		**2012**	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	**Weighted average exercise price** *HK$ per share*	**Number of options** *'000*
At 1 January	2.15	9,312	2.15	11,833
Adjustments arising from the rights issue	1.64	2,900	–	–
Forfeiture during the year	1.97	(1,393)	2.14	(2,521)
At 31 December	1.60	10,819	2.15	9,312

There was no share options exercised during the current and prior years. The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options *'000*	**Exercise price*** *HK$ per share*	**Exercise period**
20	2.440	24-12-2009 to 23-12-2014
999	2.416	5-10-2009 to 4-10-2014
2,889	0.903	15-10-2010 to 14-10-2018
6,386	1.838	25-3-2011 to 24-3-2016
525	0.915	18-8-2011 to 17-8-2016
10,819		

2012

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
108	3.200	24-12-2009 to 23-12-2014
915	3.168	5-10-2009 to 4-10-2014
2,203	1.184	15-10-2010 to 14-10-2018
5,686	2.410	25-3-2011 to 24-3-2016
400	1.200	18-8-2011 to 17-8-2016
9,312		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of RMB968,000 (2012: RMB1,569,000) during the year ended 31 December 2013 in respect of the share options granted in the prior years.

(c) Join Reach share option scheme

The Join Reach share option scheme adopted by Join Reach Limited ("Join Reach") was set up by the shareholders of Prime Century Technology Limited ("Prime Century"), which is one of the substantial shareholders of the Company, to recognise and reward the contribution of certain employees of the Company and its subsidiaries who, in the opinion of the board of directors of Join Reach, have contributed or will contribute to the growth and development of the business invested by Prime Century. The Join Reach share option scheme became effective on 26 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in Prime Century which may be transferred by Join Reach to the grantees upon the exercise of all options to be granted under the Join Reach share option scheme represent approximately 8.8% of the total issued share capital of Prime Century.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of Join Reach, and commences after a certain vesting period and ends on a date which is not later than four years from the date of offer of the share options or the expiry date of the Join Reach share option scheme, if earlier.

No share options were outstanding as at 31 December 2013 and 31 December 2012. No share option has been granted, exercised, cancelled or lapsed during the years.

At the end of the reporting period, the Company had approximately 10,819,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,819,000 additional ordinary shares of the Company and additional share capital of HK$108,190 and share premium of HK$17,202,210 (before issue expenses).

Subsequent to the end of the reporting period, 2,400,000 share options and 4,048,000 share options under the share option scheme were granted to three employees at an exercise price of HK$0.69 per share and to an executive director and a member of senior management of the Company at an exercise price of HK$0.684 per share, respectively.

Subsequent to the end of the reporting period, an aggregate of 795,000 share options under the share option scheme were lapsed.

At the date of approval of these financial statements, the Company has 16,472,000 share options outstanding under the share option scheme, which represented approximately 1.15% of the Company's shares in issue as at that date.

32. SHARE AWARD SCHEME

On 16 August 2010, the board of directors of the Company (the "Board") approved the establishment of a share award scheme with the objective to recognise the performance of eligible employees within the Group and to retain them for the continued operation and development of the Group and to encourage senior employees to have a direct financial interest in the long term success of the Group. Under the share award scheme, award shares of the Company ("Award Shares") are granted to eligible employees of the Company or any one of its subsidiaries for no consideration but subject to certain considerations (including but not limited to, the lockup period) to be decided by the Board at the time of grant of the award shares under the share award scheme. The share award scheme will remain in force for 10 years from the date of adoption.

The share award scheme will operate in parallel with the Company's Pre-IPO share option scheme and share option scheme. All options granted under the Pre-IPO share option scheme and the share option scheme will continue to be valid and exercisable subject to and in accordance with the terms of those schemes.

Pursuant to the rules of the share award scheme, the Company has set up the Trust for the purpose of administering the share award scheme and holding the Award Shares before vested and the expiry of the lock-up period. The Company can (i) make a loan to the Trust from time to time for the purchase of the Award Shares under the loan agreement; (ii) instruct its broker to purchase existing shares in the Company from the market, settle payment and costs and deliver the same to the trustee to hold on trust for the eligible employees; and (iii) allot and issue new shares in the Company to the trustee to hold on trust for the eligible employees.

The maximum number of all Award Shares purchased by the trustee under the share award scheme must not be 10% or more of the issued share capital of the Company as at the adoption date, i.e., 46,084,435 shares, unless the Board otherwise decides.

During the year, a total of 1,135,000 (2012: 2,683,000) shares at a cost of RMB1,313,000 (2012: RMB3,171,000) were vested.

Movements in the number of the Award Shares and their related average fair value are as follows:

	2013		**2012**	
	Average fair value *HK$ per share*	**Number of shares** *'000*	**Average fair value** *HK$ per share*	**Number of shares** *'000*
At 1 January		7,340		10,023
Vested	1.45	(1,135)	1.45	(2,683)
At 31 December		6,205		7,340

Movements in the number of shares held under the share award scheme are as follows:

	2013 **Number of shares held** *'000*	**2012** **Number of shares held** *'000*
At 1 January	8,086	10,769
Purchased during the year	16,172	–
Released during the year	(1,135)	(2,683)
At 31 December	23,123	8,086

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 46 to 47 of the financial statements.

(i) Merger reserve

The merger reserve of the Group represents (i) the excess of the nominal value of the paid-up capital of Huadong Feitian over the nominal value of A8 Music's shares which were issued as consideration for obtaining the control of Huadong Feitian at the time of the group reorganisation in 2004; and (ii) the excess of the nominal value of the shares of the Company issued over the nominal value of A8 Music's shares acquired pursuant to the group reorganisation in 2008.

(ii) Surplus contributions

According to an agreement dated 27 December 2004 on the capital contribution into A8 Music's signed by A8 Music, the then three shareholders of A8 Music and the registered owners, the three shareholders of A8 Music agreed to make cash contributions of HK$1,000,000 (equivalent to RMB1,063,000) and RMB10,000,000 into A8 Music without any equity interests issued and issuable to them in return. In addition, A8 Music has no obligations to repay these contributions. As a result, the contributions were reported as surplus contributions of A8 Music.

(iii) PRC statutory reserves

In accordance with the Companies Laws of the PRC and the articles of association of the subsidiaries of the Company which are domestic enterprises established in the PRC, appropriations of their net profits after offsetting accumulated losses from prior years should be made to the statutory surplus reserve fund maintained by these companies before any distributions are made to the investors. The percentage of appropriation to the statutory reserve fund is 10%. When the balance of the statutory reserve fund reaches 50% of the paid-up/ registered capital, no further appropriations are required to be made. The statutory reserve fund shall not be less than 25% of the original registered capital.

In accordance with the Law of the PRC for Enterprises with Foreign Investments and the articles of association of a subsidiary of the Company established in the PRC, namely Cash River, appropriations from net profits, after offsetting accumulated losses brought forward from prior years, should be made to the reserve fund before distributions are made to the owners. The percentage of net profits to be appropriated to the reserve fund should not be less than 10% of the net profits. When the balance of the reserve fund reaches 50% of the paid-up capital, no further appropriations are required to be made. Upon approval obtained from the board of directors, the reserve fund can be used to offset accumulated deficits or to increase the registered capital.

(b) Company

	Share premium account RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012	193,888	(1,816)	8,969	(2,269)	15,244	2,786	216,802
Total comprehensive loss for the year	–	–	–	(897)	–	(1,801)	(2,698)
Equity-settled share-based payment arrangements	–	–	–	–	4,219	–	4,219
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	(2,198)	2,198	–
Employee share award scheme – release of award shares	–	441	–	–	(441)	–	–
Exercise of share options	475	–	–	–	(324)	–	151
At 31 December 2012 and 1 January 2013	194,363*	(1,375)	8,969*	(3,166)	16,500	3,183*	218,474
Total comprehensive loss for the year	–	–	–	(127)	–	(4,760)	(4,887)
Rights issue	269,904	–	–	–	–	–	269,904
Equity-settled share-based payment arrangements	–	–	–	–	1,555	–	1,555
Share issue expenses	(4,568)	–	–	–	–	–	(4,568)
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	(1,091)	1,091	–
Employee share award scheme – shares purchased for share award scheme	–	(4,712)	–	–	–	–	(4,712)
– release of award shares	–	281	–	–	(281)	–	–
At 31 December 2013	459,699*	(5,806)	8,969*	(3,293)	16,683	(486)	475,766

* These reserve accounts comprise the Company's reserves available for distribution amounting to RMB468,668,000 (2012: RMB206,515,000).

The employee share-based compensation reserve comprises the fair value of share options and share awards granted which are yet to be exercised, as further explained in the accounting policy for equity compensation benefits in note 3.3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

34. DISPOSAL OF A SUBSIDIARY

On 30 August 2013, the Group disposed of its entire interest in a wholly-owned subsidiary, Fuzhou Zhuolong Tianxun Information Technology Ltd. ("Zhuolong"), for a cash consideration of RMB950,000 and the Group can retain all assets and liabilities on the management accounts of Zhuolong as at 30 August 2013 except for intangible assets of RMB694,000. Zhuolong is engaged in the provision of music and mobile internet related services. The disposal was made as the Group has shifted its strategic focus to the rapid layout in the field of digital music and mobile Internet.

	Notes	*RMB'000*
Net assets disposed of:		
Intangible assets	*17*	694
Accounts receivable		336
Prepayments, deposits and other receivables		263
Amounts due from related parties		1,246
Cash and bank balances		142
Accounts payable		(274)
Other payables and accruals		(1,927)
Total identifiable net assets at fair value		480
Gain on disposal of a subsidiary	*6*	256
		736
Satisfied by:		
Cash		760
Other receivables		190
Net liabilities (excluding the intangible assets)		(214)
		736

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	760

35. PLEDGE OF ASSETS

At 31 December 2012, the Group's bank loan was secured by certain asset of the Group. Details were included in note 27(a) to the financial statements.

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements with lease terms of one year. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of buildings as follows:

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Within one year	539	2,375

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following commitments as at the end of the reporting period:

	Group	
	2013	**2012**
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Construction in progress	–	120,000
Contracted, but not provided for:		
Construction in progress	1,851	60,660
	1,851	180,660

At the end of the reporting period, the Company did not have any significant commitments.

38. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, during the current year, the Group had the following transaction:

	2013	**2012**
	RMB'000	*RMB'000*
Service fee paid	506	1,906

The Company entered into a subcontract agreement with Beijing Caiyun Online Technologies Co., Ltd. (a subsidiary of Duomi Music) dated 4 November 2011 for software development and the provision of music downloading service. The service fee was determined at rates mutually agreed between the relevant parties.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balance with an associate:

Details of the Group's balance with its associate at the end of the reporting period are disclosed in note 22 to the financial statements.

(c) Compensation of key management personnel of the Group

	2013	2012
	RMB'000	*RMB'000*
Short term employee benefits	2,771	3,289
Post-employment benefits	181	159
Equity-settled share option expenses	216	1,111
Equity-settled share award expenses	808	91
Total compensation paid to key management personnel	3,976	4,650

39. FINANCIAL INSTRUMENTS BY CATEGORY

Other than investments at fair value through profit or loss and conversion option embedded in preferred shares as disclosed in notes 23 and 29, respectively, to the financial statements, all financial assets and liabilities of the Group and the Company as at 31 December 2013 and 2012, were loans and receivables, and financial liabilities stated at amortised cost, respectively.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

As at 31 December 2013

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Investments at fair value through profit or loss	10,316	10,316
Conversion option embedded in preferred shares	13,015	13,015
	23,331	23,331

As at 31 December 2012

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Investments at fair value through profit or loss	1,371	1,371
Conversion option embedded in preferred shares	12,600	12,600
	13,971	13,971

Financial liabilities

As at 31 December 2012

	Carrying amounts *RMB'000*	Fair values *RMB'000*
Interest-bearing bank borrowing	69,567	69,567

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2013

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Investments at fair value through profit or loss	10,316	–	–	10,316
Conversion option embedded in preferred shares	–	–	13,015	13,015
	10,316	–	13,015	23,331

As at 31 December 2012

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Investments at fair value through profit or loss	1,371	–	–	1,371
Conversion option embedded in preferred shares	–	–	12,600	12,600
	1,371	–	12,600	13,971

Liabilities measured at amortised cost

As at 31 December 2012

	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank borrowing	–	69,567	–	69,567

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the current and prior years.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 above.

(a) Credit risk

The maximum credit risk exposure of the Group is the gross carrying value of each of its financial assets. As mentioned in note 3.3 above, the Mobile and Telecom Service Fees and the revenue from providing value-added services of the Group are substantially derived from co-operative arrangements with China Mobile and China Unicom (the "Mobile Telecommunications Operators"). If the strategic relationship with either of the Mobile Telecommunications Operators is terminated or scaled-back, or if the Mobile Telecommunications Operators alter the co-operative arrangements, the Group's mobile and telecommunications value-added services might be adversely affected. Since the Group mainly trades with the Mobile Telecommunications Operators, which are recognised and creditworthy third parties, the directors of the Company do not consider these counterparties to be of significant credit risk. Apart from this, the directors of the Company do not consider there are significant concentrations of credit risk.

However, the credit risk relating to the end customers of the services offered by the Group was shared by the Mobile Telecommunications Operators and the Group.

(b) Liquidity risk

The Group manages liquidity risk by maintaining a sufficient amount of bank deposits and use of a bank loan to ensure that operational requirements are fulfilled.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

As at 31 December 2013

RMB'000

	Group			
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Total**
Accounts payable *(note 25)*	28,967	–	–	28,967
Other payables and accruals *(note 26)*	80,126	–	–	80,126
	109,093	–	–	109,093

As at 31 December 2012

RMB'000

	Group			
	Within one year or on demand	**In the second year**	**In the third to fifth years, inclusive**	**Total**
Accounts payable *(note 25)*	30,262	–	–	30,262
Other payables and accruals *(note 26)*	79,096	–	–	79,096
Interest-bearing bank borrowing	2,313	4,494	75,252	82,059
	111,671	4,494	75,252	191,417

(c) Capital management

The primary objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing its services commensurately with the level of risk.

The Group monitors capital on the basis of the net cash over the debt position, which is cash and cash equivalents less accounts payable, other payables and accruals and interest-bearing bank borrowing. The amounts of the net cash over debt position at the end of the reporting periods were as follows:

	2013	**2012**
	RMB'000	*RMB'000*
Cash and cash equivalents	449,157	374,562
Accounts payable	(28,967)	(30,262)
Other payables and accruals	(80,126)	(79,096)
Interest-bearing bank borrowing	–	(69,567)
Net cash over debt position	340,064	195,637

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 January 2014, the Group subscribed for a Wealth Management Product issued by Ping'an Trust Co., Ltd. at a subscription amount of RMB70 million.

(b) On 24 January 2014, the Group invested RMB20 million to subscribe for an approximately 6% interest in Qingsong Fund II, which is engaged in investment in the mobile internet and internet industry.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2014.

(c) Unaudited consolidated financial statements

Set out below are the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015 extracted from the interim results announcement of the Company for the six months ended 30 June 2015.

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015	**2014**
		(Unaudited)	(Unaudited)
	Notes	*RMB'000*	*RMB'000*
			(Restated)
Revenue		67,907	123,368
Business tax		(1,302)	(1,804)
Net revenue	4	66,605	121,564
Cost of services provided		(42,244)	(88,946)
Gross profit		24,361	32,618
Other income and gains, net	4	31,469	15,663
Selling and marketing expenses		(8,284)	(22,345)
Administrative expenses		(21,118)	(20,626)
Other expenses, net		(5,478)	(503)
Share of profits and losses of associates		(9,762)	(2,818)
Share of profits and losses of joint ventures		(916)	49
PROFIT BEFORE TAX	5	10,272	2,038
Income tax expense	6	(4,751)	(1,028)
PROFIT FOR THE PERIOD		5,521	1,010
Attributable to:			
Owners of the Company		5,834	1,418
Non-controlling interests		(313)	(408)
		5,521	1,010
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic (RMB per share)		0.4 cent	0.1 cent
Diluted (RMB per share)		0.4 cent	0.1 cent

Condensed Consolidated Statement of Financial Position
As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	154,404	150,049
Investment properties		328,000	310,000
Prepaid land lease payments		13,699	13,839
Goodwill		1,515	1,515
Available-for-sale investment	10	12,000	6,000
Prepayment for acquisition of items of property, plant and equipment		1,042	1,904
Intangible assets		25,607	22,433
Investments in associates	11	47,237	–
Investments in joint ventures		27,692	26,208
Deferred tax assets		1,779	2,294
Conversion option embedded in preferred shares		7,481	9,242
Conversion option embedded in convertible notes		28,521	32,176
Debt portion of convertible notes		30,196	30,004
Deposit for acquisition of an investment		1,568	3,000
Total non-current assets		680,741	608,664
CURRENT ASSETS			
Trade receivables	12	15,760	32,216
Prepayments, deposits and other receivables		18,392	14,260
Financial assets at fair value through profit or loss	13	3,465	443
Restricted cash balances		387	3,885
Cash and cash equivalents		399,317	316,458
Total current assets		437,321	367,262

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	14	33,293	35,391
Other payables and accruals		45,732	71,540
Tax payable		5,016	6,804
Deferred income		7,294	8,758
Total current liabilities		91,335	122,493
NET CURRENT ASSETS		345,986	244,769
TOTAL ASSETS LESS CURRENT LIABILITIES		1,026,727	853,433
NON-CURRENT LIABILITIES			
Deferred tax liabilities		49,860	45,360
Deferred income		7,745	9,662
Total non-current liabilities		57,605	55,022
Net assets		969,122	798,411
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	14,176	11,914
Reserves		955,625	786,863
		969,801	798,777
Non-controlling interests		(679)	(366)
Total equity		969,122	798,411

Notes To Condensed 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

The provision of property investment business has been one of the businesses of the Group for years. During the period, the board of directors of the Company resolved that resources will continuously be deployed to such business and accordingly, the provision of property investment business is redesignated by the board of directors as one of the principal activities of the Group. Other than this change, there were no significant changes in the nature of the Group's principal activities.

2. BASIS OF PREPARATION 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 2014, 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:

Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the above 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.

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 PRC.

During the period, as mentioned in note 1 above, the board of directors of the Company has resolved that resources would continuously be deployed to the provision of property investment business and accordingly, the provision of property investment business is redesignated by the board of directors as one of the principal activities of the Group. The results of the provision of property investment business are also separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the six months ended 30 June 2014 has been restated to reflect this change of segment composition.

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

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

For the six months ended 30 June

	Digital entertainment		**Property investment**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)		(Restated)
Segment net revenue	44,708	114,042	21,897	7,522	66,605	121,564
Cost of services provided	(35,513)	(84,443)	(6,731)	(4,503)	(42,244)	(88,946)
Gross profit	9,195	29,599	15,166	3,019	24,361	32,618
Segment results	(105)	7,810	33,166	10,944	33,061	18,754
Reconciliation:						
Bank interest income					4,060	4,761
Corporate and other unallocated income and expenses, net					(16,171)	(18,708)
Share of profits and losses of:						
Associates					(9,762)	(2,818)
Joint ventures					(916)	49
Profit before tax					10,272	2,038
Income tax expense					(4,751)	(1,028)
Profit for the period					5,521	1,010

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 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	
	2015	**2014**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Digital entertainment		
Music-based entertainment	8,832	50,994
Game-related revenue	36,050	64,441
Sub-total	44,882	115,435
Property investment		
Rental and management income	23,025	7,933
	67,907	123,368
Less: Business tax	(1,302)	(1,804)
Net revenue	66,605	121,564
Other income and gains, net		
Bank interest income	4,060	4,761
Imputed interest income	9,191	2,778
Fair value gains on investment properties	18,000	7,924
Foreign exchange differences, net	50	186
Others	168	14
	31,469	15,663

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015	**2014**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation	3,381	833
Amortisation of intangible assets	5,311	2,488
Amortisation of prepaid land lease payments	162	158
Foreign exchange differences, net	50	186
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 (gain)/loss on financial assets at fair value through profit or loss	(22)	638
Write-back of impairment of other receivable	–	(1,500)

6. INCOME TAX EXPENSE

An analysis of income tax charges for the six months ended 30 June 2015 and 2014 is shown as follows:

	For the six months ended 30 June	
	2015	**2014**
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	–	–
Overprovision in the prior year	(264)	(225)
Deferred	5,015	1,253
Total tax charge for the period	4,751	1,028

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 2015 and 2014, 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 2015 (six months ended 30 June 2014: Nil).

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

The calculation of the basic earnings per share amount for the six months ended 30 June 2015 is based on the profit for the period attributable to equity holders of the Company of RMB5,834,000 (six months ended 30 June 2014: RMB1,418,000) and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2015 of 1,525,305,770 (six months ended 30 June 2014: 1,406,051,125).

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit for the period attributable to equity holders of the Company of RMB5,834,000 (six months ended 30 June 2014: RMB1,418,000) as used in the basic earnings per share calculation.

The weighted average number of ordinary shares used in the calculation is 1,525,305,770 (six month ended 30 June 2014: 1,406,051,125) 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 (six months ended 30 June 2014: 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB7,905,000 (six months ended 30 June 2014: RMB2,384,000). There were disposals or write-off of property, plant and equipment of RMB169,000 (six months ended 30 June 2014: RMB200,000) during the six months ended 30 June 2015.

10. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2015, the available-for-sale investment of RMB12 million (2014: RMB6 million) represented the 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.

11. INVESTMENTS IN ASSOCIATES

During the period, the Group mainly acquired 25% equity interest in Guangzhou Qianyun Information Technology Co., Ltd., which is principally engaged in operating HTML5 mobile games platform and 10% equity interest in Xiamen Mengjia Network Technology Co., Ltd., which is principally engaged in developing mobile games, for a total cash consideration of RMB25 million and RMB20 million, respectively.

12. TRADE RECEIVABLES

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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Neither past due nor impaired:		
Within 1 month	3,274	10,479
Over 1 month but less than 2 months	3,472	9,870
Over 2 months but less than 3 months	1,993	2,070
Over 3 months but less than 4 months	1,384	2,297
Past due but not impaired:		
4 to 6 months	1,152	4,267
Over 6 months	4,485	3,233
	15,760	32,216

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 unlisted investments represented fund investments and the fair values were based on values quoted by the relevant financial institutions.

14. TRADE PAYABLES

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 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Within 1 month	1,127	7,668
1 to 3 months	4,673	11,619
4 to 6 months	9,627	8,906
Over 6 months	17,866	7,198
	33,293	35,391

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

15. SHARE CAPITAL

	30 June 2015 (Unaudited) *RMB'000*	31 December 2014 (Audited) *RMB'000*
Authorised:		
3,000,000,000 (2014: 3,000,000,000) ordinary shares of HK$0.01 each	26,513	26,513
Issued and fully paid:		
1,715,192,628 (2014: 1,428,847,128) ordinary shares of HK$0.01 each	14,176	11,914

A summary of the transactions during the period from 1 January 2015 to 30 June 2015 in the Company's issued share capital is as follows:

	Notes	**Number of issued and fully paid ordinary shares** (Unaudited) *HK$'000*	**Nominal value of ordinary shares** (Unaudited) *HK$'000*	**Share premium** (Unaudited) *RMB'000*	**Equivalent nominal value of ordinary shares** (Unaudited) *RMB'000*	**Equivalent share premium** (Unaudited) *RMB'000*	**Total** (Unaudited)
As at 1 January 2015		1,428,847,128	14,290	537,705	11,914	450,770	462,684
Exercise of share options	*(a)*	577,500	5	693	5	547	552
Placement of new shares	*(b)*	285,768,000	2,857	205,754	2,257	162,493	164,750
Share issue expenses		–	–	(3,256)	–	(2,571)	(2,571)
As at 30 June 2015		1,715,192,628	17,152	740,896	14,176	611,239	625,415

During the period, the movements in share capital were as follows:

(a) During the period, a total of 577,500 share options under the share option scheme were exercised at exercise prices ranging from HK$0.65 to HK$0.69 per share, for a total cash consideration, before expenses, of HK$381,000 (equivalent to RMB301,000).

(b) On 16 April 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 285,768,000 ordinary shares of the Company at a price of HK$0.73 each.

The placing was completed on 27 April 2015 and the Group raised a total of approximately HK$208.6 million (equivalent to RMB164.8 million), before expenses.

16. COMMITMENTS

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

	30 June 2015	**31 December 2014**
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Investments	8,000	63,500
	8,000	63,500

17. COMPARATIVE AMOUNTS

As further explained in notes 1 and 3 to the interim financial statements, due to the changes in the designation of principal activities and segment composition, certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

18. EVENTS AFTER THE REPORTING PERIOD

(a) On 13 July 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 120,000,000 ordinary shares of the Company at a price of HK$0.57 each.

The placing was completed on 22 July 2015 and the Group raised a total of approximately HK$68.4 million (equivalent to RMB54.0 million), before expenses.

(b) On 14 July 2015, the Company entered into a subscription agreement with Ever Novel Holdings Limited (the "Subscriber"), whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu Xiaosong (the chairman and an executive director of the Group), pursuant to which the Subscriber agreed to subscribe an aggregate of 680,000,000 new shares of the Company at a price of HK$0.57 each.

Up to the date of approval the interim financial information, the above subscription was not completed.

19. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved by the Board on 20 August 2015.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, apart from intra-group liabilities and normal accounts and other payables, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank borrowings, bank overdrafts and liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material changes in the Group's indebtedness position and contingent liabilities since 30 June 2015 and up to the Latest Practicable Date.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2015, the Group will continue to enhance the digital entertainment services including music-based entertainment industry chain based on mobile internet and the prime game publishing platform, and property investment business.

Music-based entertainment industry chain based on mobile internet

The Group will put more emphasis on live music performance business and the interaction between offline and online contents. The Group will introduce more social elements to its products to improve interaction among users, interaction between users and musicians in order to differentiate its products and strengthen its monetization capacity. The Group will continue to strengthen the sourcing of music content through music competitions.

In terms of live music performance business, the Group will continue to explore the Live house business model through the brands of A8 Live and Demo Live, enlarge the number of performances and enrich performance content. It will also promote the brands through enrichment of online and offline contents and extensive cooperation with the media. It aims at creating an ecosystem and a resources sharing platform in terms of content, business opportunities and users by integrating fans, musicians and music accessories.

Prime games publishing platform

In terms of new mobile games introduction, the Group will introduce mobile games with innovation on core game structure and high quality product. Meanwhile, the Group will keep alert on popular literatures which are suitable for mobile game edition. According to market research, the conversion rate and revenue scale of mobile games edited from a popular intellectual property are much higher than average.

In terms of mobile games publishing and operation business, the Group will continue to focus on the China market. Its operation team will enhance user conversion rate and paid rates through refined operation according to users' need. In addition, the Group will also publish console games by utilising its existing distribution channel through mobile operators.

In terms of strategic layout on mobile games industry, the Group will continue to cooperate with leading developers through business cooperation or equity investment.

4. MATERIAL CHANGE

In April 2015 and July 2015, 285,768,000 new Shares and 120,000,000 new Shares have been placed to independent third parties respectively, details of which are disclosed in the section headed "Fund Raising Exercises of the Company in the Last Twelve Months" in the Letter from the Board in this circular.

On 13 July 2015, the Company announced the possible disposal of its investment in Duomi Music, further details of which are disclosed in the announcement of the Company dated 13 July 2015 and in the section headed "Further Intention of the Subscriber regarding the Group" in the Letter from the Board in this circular.

Further, as disclosed in the announcement of the Company dated 5 August 2015 ("Profit Alert Announcement"), the Group is expected to record a significant increase in the profit attributable to shareholders of the Company for the six months ended 30 June 2015 ("Period") of not less than 200% as compared to the corresponding period in 2014 which recorded a profit of approximately RMB1.01 million due to the commencement of business operation of A8 Music Building in the first half of 2014, which brought: (1) the gradual increase of the gross rental and management fee income; and (2) the increase of fair value gain on investment property of A8 Music Building, in the Period as compared to the corresponding period in 2014. Based on the unaudited consolidated financial statements of the Company for the Period, the profit attributable to shareholders of the Company for the Period was increased to approximately RMB5,521,000 from approximately RMB1,010,000 for the corresponding period in 2014. Further details of the financial information of the Group for the Period are disclosed in "(c) Unaudited consolidated financial statements" in this Appendix I above.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up), and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed above, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up), and up to and including the Latest Practicable Date.

The following is the text of letter and valuation certificate prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 30 June 2015 of the property interest held by the Group in the People's Republic of China.

GRANT SHERMAN

Unit 1005, 10/F., AXA Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

8 September 2015

The Directors
A8 New Media Group Limited
24/F, A8 Music Building,
No. 1002 Keyuan Road,
Hi-Tech Park,
Nanshan District, Shenzhen City,
Guangdong Province, the People's Republic of China

Dear Sirs,

RE: A8 Music Building, No. 1002 Keyuan Road, Hi-Tech Park, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China (the "Property")

In accordance with your instructions for us to value the property interest held by A8 New Media Group Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 30 June 2015 ("date of valuation") for inclusion in the circular issued by the Company.

Our valuation is our opinion of the market value of the property interests where we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interest, we have adopted the investment approach (income approach) by taking into account the current rent passing of the property interest and the reversionary potential of the tenancy(ies). In determining the reversionary potential of the tenancy(ies), we have adopted the market approach with reference to the recent proposed leasing and sale transactions for similar premises in the proximity.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use the property for the whole of the unexpired term as granted and is entitled to transfer the property with the residual term without payment of any further premium to the government authorities or any third parties.

We have assumed that all consents, approvals and licenses from relevant government authorities for the property have been granted without any onerous conditions or undue time delay which might affect its value. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation certificates. Moreover, we have assumed that the utilization of the Properties and improvements is within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the valuation certificate.

We have been provided with copies of extracts of title documents relating to the property. However, we have not caused title searches to be made for the property interest at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, Beijing King & Wood Mallesons (Shenzhen).

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exteriors and interiors of the property. However, no structural survey has been made and we are therefore unable to report as to whether the property is or not free of rot, infestation or any other structural defects. No tests have been carried out on any of the services. Neither have we carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the property is free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

All dimensions, measurements and areas included in the valuation certificate is based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

In valuing the property interests, we have fully complied with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC include: (i) PRC business tax (equivalent to 5% of sales revenue), (ii) PRC land appreciation tax (equivalent to 30%–60% of the net appreciation amount) and (iii) PRC corporate income tax (25%). It is unlikely that such tax liability will be crystallised in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. Except for applicable stamp duties, the potential gain arising from the sales of the property in Hong Kong shall be capital in nature and not subject to any taxation.

Unless otherwise stated, all property values are denominated in Renminbi (RMB). The exchange rate adopted in valuing the property interest in the PRC as at 30 June 2015 was HK$1: RMB0.80. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith the valuation certificate.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MHIREA
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors and Registered Professional Surveyors in the General Practice Section, who has over 10 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION CERTIFICATE

Property interest held by the Group for investment purpose in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2015
A8 Music Building, No. 1002 Keyuan Road, Hi-Tech Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	The property comprises a 25-storey commercial building (exclusive of 3-storey basement), which is completed in about 2014. The site area and total gross floor area of the property are approximately 4,745.49 sq.m. and 41,018.89 sq.m. respectively. The land use rights of the property were granted for a term expiring on 5 November 2058 for industrial use.	The property is subject to various tenancy agreements with the latest expiry date on 30 September 2024 at an aggregate monthly rental of approximately RMB3,321,300 exclusive of management fee and other operating outgoings. Portion of the property was occupied by the tenants for office and retail uses, portion of the property was vacant and portion of the property was occupied by the Company for office and ancillary uses.	No Commercial Value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (Document No.: Shen De He Zi (2008) No. 105) entered into between the State-owned Land Resources and Building Management Bureau of Shenzhen City (Party A) and Shenzhen Huadong Feitian Network Development Co., Ltd. (Party B) dated 6 November 2008, the land use rights of the property with a site area of approximately 4,745.49 sq.m. were granted from Party A to Party B for a term of 50 years commencing on the date the handover of the land parcel of the property at a consideration of RMB29,265,400 for industrial use. The relevant development limitations of the land parcel of the property are summarized as below:

Permitted Land Use	:	Industrial and Research
Plot Ratio	:	Less than or equal to 8.6
Site Coverage	:	Less than or equal to 70%
Height Restriction	:	not higher than 100 meters

2. Pursuant to a Supplementary State-owned Land Use Rights Grant Contract (Document No.: Shen De He Zi (2008) No. 105) entered into between the Planning and State-owned Land Resources Committee 2nd Management Bureau of Shenzhen City (Party A) and Shenzhen Huadong Feitian Network Development Co., Ltd. (Party B) dated 21 April 2015, the permitted gross floor area of the property is amended as follows, for a consideration of RMB148,357:

Permitted Uses	Approximate Gross Floor Area *(sq.m.)*
Commercial	1,330.23
Industrial and Research	38,619.34
Canteen	1,069.32
Total:	41,018.89

3. Pursuant to a State-owned Land Use Certificate (Document No.: Shen Feng De Zi No. 4000417876), the land use rights of the property with a site area of approximately 4,745.49 sq.m. were granted to Shenzhen Huadong Feitian Network Development Co., Ltd. for a term expiring on 5 November 2058 for industrial use.

4. As advised by the Company, the property facilitated a total of about 250 covered car parking spaces on basement levels 1 to 3 of the property.

5. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, Beijing King & Wood Mallesons (Shenzhen), which contains, inter alia, the following information:

   (a) Shenzhen Huadong Feitian Network Development Co., Ltd. was granted with the land use rights of the land parcel of the property. The land use rights are entitled to be occupied and mortgaged;

   (b) The property has not obtained Building Ownership Certificate as the date of valuation. The building portion is not entitled to be transferred and mortgaged unless the Building Ownership Certificate is obtained. However, there are no foreseeable impediments for the Group to obtain the Building Ownership Certificate. As advised by the Company, the Group is expected to obtain the Building Ownership Certificate in or around October 2015.

   (c) The property is free from any mortgages, charges and legal encumbrances which may cause adverse effects on the ownership of the property.

   (d) There are no legal restrictions for property without Building Ownership Certificate to lease to tenants.

   (e) The following legal documents were obtained.

(i)	State-owned Land Use Certificate	Yes
(ii)	Construction Land Planning Permit	Yes
(iii)	Construction Work Planning Permit	Yes
(iv)	Environmental Impact Assessment Document	Yes
(v)	Construction Work Commencement Permit	Yes
(vi)	Construction Completion Commencement Certificate	Yes

6. As the Group has not obtained Building Ownership Certificate for the property, hence the property is not entitled to be transferred and mortgaged, we therefore attributed no commercial value to the property. However, for indicative purpose, the Market Value of the property as at the date of valuation is RMB821,000,000 (equivalent to HK$1,026,250,000) by assuming the property has obtained the relevant title documents and is entitled to be transferred and mortgaged.

7. Our Mr Lawrence Chan Ka Wah (MRICS MHKIS RPS(GP) MHIREA) and Mr Cris Chan (BSc) inspected the property on 24 July 2015, the external condition of the property was reasonable.

8. According to the information provided by the Company, Shenzhen Huadong Feitian Network Development Co., Ltd. is an indirect wholly-owned subsidiary of A8 New Media Group Limited.

9. The property is situated in Hi-Tech Park of Nanshan District, buildings in the locality are medium to high rise commercial buildings and industrial buildings. Shenzhen Metro Keyuan Station is about 15-minute walking distance from the property. Taxis and buses are accessible to the property.

10. The property is subject to various tenancy agreements with the latest expiry date on 30 September 2024 at an aggregate monthly rental of RMB3,321,300 exclusive of management fee and other operating outgoings. The existing monthly unit rent for office and retail portions are in the ranges of RMB90 per sq.m. to RMB200 per sq.m. and RMB90 per sq.m. to RMB300 per sq.m. repectively.

    The average monthly unit rent of similar office premises in the locality as at the date of valuation is in the range of RMB80 per sq.m. to RMB150 per sq.m.. The average monthly unit rent of similar retail premises in the locality as at the date of valuation is in the range of RMB100 per sq.m. to RMB300 sq.m..

11. As advised by the Company, this property is the only property held by the Company, the construction of which is completed.

1. SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Completion were/will be as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
3,000,000,000	Shares of HK$0.01 each	30,000,000.00
Issued and fully paid or credited as fully paid:		
1,835,192,628	Shares	18,351,926.28

(ii) Immediately following the Completion

Authorised:		*HK$*
3,000,000,000	Shares of HK$0.01 each	30,000,000.00
Issued and fully paid or credited as fully paid:		
1,835,192,628	Shares as at the Latest Practicable Date	18,351,926.28
680,000,000	Subscription Shares to be allotted and issued under the Subscription Agreement	6,800,000.00
2,515,192,628	Shares in issue upon completion of the Subscription	25,151,926.28

All the issued Shares rank equally with each other in all respects including the rights in respect of capital, dividend and voting.

The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised and the issued share capital of the Company since 31 December 2014, being the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, save as disclosed below:

(1) the allotment and issue of an aggregate of 285,768,000 new Shares at a price of HK$0.73 per Shares upon completion of the placing agreement dated 16 April 2015 entered into between the Company (as issuer) and First Shanghai Securities Limited (as placing agent) on 27 April 2015;

(2) the allotment and issue of an aggregate of 150,000 new Shares on 23 April 2015 pursuant to the exercise of options at a price of HK$0.69 per Share;

(3) the allotment and issue of an aggregate of 140,000 new Shares on 27 April 2015 pursuant to the exercise of options at a price of HK$0.65 per Share;

(4) the allotment and issue of an aggregate of 182,500 new Shares on 28 April 2015 pursuant to the exercise of options at a price of HK$0.65 per Share;

(5) the allotment and issue of an aggregate of 105,000 new Shares on 29 May 2015 pursuant to the exercise of options at a price of HK$0.65 per Share; and

(6) the allotment and issue of an aggregate of 120,000,000 new Shares at a price of HK$0.57 per Shares upon completion of the Placing Agreement dated 13 July 2015 entered into between the Company (as issuer) and First Shanghai Securities Limited (as placing agent) on 22 July 2015.

(b) Share Option Scheme

As at the Latest Practicable Date, the Company had outstanding Share Options granted under the Share Option Scheme entitling the holders thereof to subscribe for an aggregate of 50,661,118 Shares, the details of which are set out below:

Holders of outstanding Share Options	As at Latest Practicable Date	Date of grant	Vesting period	End of exercise period	Exercise price (HK$ per Share)
Directors					
Mr. Liu	13,004,910				
including:	597,310	5 October 2009	One-third of the Share Options will be vested every 12-month period starting from 5 October 2010	26 May 2018	2.4156
	7,600,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.650
	4,807,600	14 May 2015	One-fourth of the Share Options will be vested at each anniversary of 14 May 2016	14 May 2022	1.040
Mr. Liu Pun Leung	5,000,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 15 October 2015	23 April 2021	0.650
Mr. Chan Yiu Kwong	315,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.650
Ms. Wu Shihong	420,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.650
Mr. Song Ke	420,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.650
Subtotal	**19,159,910**				

Holders of outstanding Share Options	As at Latest Practicable Date	Date of grant	Vesting period	End of exercise period	Exercise price (HK$ per Share)
Senior Management of the Group	786,900	25 March 2011	One-fourth of 600,000 Share Options will be vested every 12-month period starting from 20 September 2011	24 March 2016	1.8376
	524,600	18 August 2011	One-fourth of the Share Options will be vested every 12-month period starting from 9 August 2012	17 August 2016	0.915
	3,177,500	24 January 2014	One-fourth of the Share Options will be vested every 12-month period starting from 24 January 2015	14 January 2021	0.684
	9,222,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65
Subtotal	**13,711,000**				

Holders of outstanding Share Options	As at Latest Practicable Date	Date of grant	Vesting period	End of exercise period	Exercise price (HK$ per Share)
Other employees and eligible persons	2,888,762	15 October 2008	One-fourth of the Share Options will be vested every 12-month period starting from 15 October 2009	14 October 2018	0.9028
	321,612	5 October 2009	One-third of the Share Options will be vested every 12-month period starting from 5 October 2010	26 May 2018	2.4156
	3,824,334	25 March 2011	One-fourth of the 600,000 Share Options will be vested every 12-month period starting from 25 March 2012	24 March 2016	1.8376
	2,250,000	14 January 2014	One-fourth of the Share Options will be vested every 12-month period starting from 14 January 2015	14 January 2019	0.69
	8,505,500	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65
Subtotal	**17,790,208**				
Total	**50,661,118**				

As at the Latest Practicable Date, other than the Share Options and the Subscription, the Company had no outstanding convertible securities, options, warrants or conversion rights which affect the Shares.

2. DISCLOSURE OF INTEREST

(I) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	**Nature of interest**	**Ordinary Shares**	**Underlying Shares (under equity derivatives of the Company)** *(Note 3)*	**Approximate percentage of shareholding** *(Note 1)*
Mr. Liu	Founder of trust	1,190,991,398 *(Note 2)*	Nil	64.90%
	Beneficial owner	5,766,000	13,004,910	1.02%
Mr. Liu Pun Leung	Beneficial owner	Nil	5,000,000	0.27%
Mr. Chan Yiu Kwong	Beneficial owner	105,000	315,000	0.02%
Ms. Wu Shihong	Beneficial owner	Nil	420,000	0.02%
Mr. Song Ke	Beneficial owner	Nil	420,000	0.02%

Notes:

(1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 1,835,192,628 Shares) has been used for the calculation of the approximate percentage.

(2) Mr. Liu is the founder of a family trust which is deemed under SFO to be interested in all the Shares held by the Subscriber and Prime Century in the Company. These Shares comprised 369,360,303 Shares and 141,631,095 Shares directly held by Prime Century and the Subscriber respectively and 680,000,000 Subscription Share to be allotted and issued to the Subscriber upon Completion.

(3) Details of Share Options held by the Directors are shown in the section "(b) Share Option Scheme" above.

(II) Long positions in shares of the associated corporations of the Company

Name of associated Corporation	Name of Director	Nature of Interest	Registered capital/no. of shares held	Approximate percentage of interest
Shenzhen Huadong Feitian Network Development Co., Ltd. ("**Huadong Feitian**") *(Note 1)*	Mr. Liu	Beneficial owner	RMB21,510,000 *(Note 3)*	75%
Duomi Music Holding Ltd ("**Duomi Music**") *(Note 2)*	Mr. Liu	Interest of controlled corporation	35,435,640 *(Note 4)*	30.13%

Notes:

1. Huadong Feitian is a limited liability company incorporated in the PRC whose financial results are, through a number of structure contracts, consolidated into the financial statements of the Company and therefore an associated corporation of the Company.

2. Duomi Music is a company incorporated in the Cayman Islands with limited liability. As at the Latest Practicable Date, the Company was interested in approximately 42.73% (assuming after full conversion of the preferred A shares of Duomi Music and no employee stock ownership plans have been exercised) of the issued share capital of Duomi Music through its wholly-owned subsidiary, Phoenix Success Limited, and therefore Duomi Music is an associated corporation of the Company. Mr. Liu, through his wholly-owned company, Fortune Light Investments Limited ("**Fortune Light**"), held approximately 30.13% of the issued share capital of Duomi Music.

3. This represents the amount of registered capital of Huadong Feitian held by Mr. Liu.

4. This represents the number of shares of Duomi Music held by Mr. Liu.

Save as disclosed above and in the section headed "1. Share Capital — (b) Share Option Scheme" above in this appendix, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

(III) Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholder	Nature of interest	Long positions in the Shares	Approximate percentage of shareholding *(Note 1)*
HSBC International Trustee Limited ("**HSBC International**")	Trustee (other than a bare trustee)	1,255,791,398 *(Note 2)*	68.43%
River Road Investment Limited (**"River Road"**)	Interest in controlled corporation	1,190,991,398 *(Note 2)*	64.90%
Knight Bridge Holdings Limited ("**Knight Bridge**")	Interest in controlled corporation	1,190,991,398 *(Note 2)*	64.90%
The Subscriber	Interest in controlled corporation	369,360,303 *(Note 3)*	20.13%
	Beneficial owner	821,631,095 *(Note 3)*	44.77%
Prime Century	Beneficial owner	369,360,303 *(Note 3)*	20.13%

Notes:

(1) The total number of Shares in issue as at the Latest Practicable Date (i.e. 1,835,192,628 Shares) has been used for the calculation of the approximate percentage.

(2) HSBC International is the trustee of family trusts of Mr. Liu, which, through intermediate holding companies (including but not exclusively River Road, Knight Bridge, the Subscriber and Prime Century), exercise or control the exercise of one third or more voting power at the general meetings of such companies and is deemed under the SFO to be interested in the shares of the Company held by such companies (1,255,791,398 Shares in total).

(3) As at the Latest Practicable Date, Prime Century directly held 369,360,303 Shares and the Subscriber directly held 141,631,095 Shares. The Subscriber was also interested in the 680,000,000 Subscription Shares to be allotted and issued upon Completion. The Subscriber was entitled to exercise or control the exercise of one third or more of the voting power at the general meetings of Prime Century and was deemed to be interested in the 369,360,303 shares in the Company held directly by Prime Century.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, save for Mr. Liu who is a director of the Subscriber, Prime Century and Knight Bridge, none of the Directors is a director of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. ADDITIONAL DISCLOSURE UNDER TAKEOVERS CODE

(a) As at the Latest Practicable Date, save for the Subscription, interests of Mr. Liu disclosed in the sections headed "1. Share Capital" and "2. Disclosure of Interest" in this appendix and Ms. Cheung's Options, neither the Subscriber nor any parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) held any securities, options, warrants, convertible securities and derivatives of the Company or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(b) Save for the Subscription Agreement entered into by the Subscriber, the interests disclosed in the sections headed "1. Share Capital" and "2. Disclosure of Interest" in this appendix and Ms. Cheung's Options, the directors of the Subscriber are not interested in any securities, options, warrants, convertible securities and derivatives of the Company and they had not dealt for value in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(c) No Shares acquired by the Subscriber and any person acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) in pursuance of the Subscription will be transferred, charged or pledged to any other persons.

(d) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolution to be proposed at the EGM to approve the Subscription and the Whitewash Waiver.

(e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Subscriber or any party acting in concert with it (including Mr. Liu, Prime Century and Grand Idea), and any other person.

(f) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Subscriber or any party acting in concert with it (including Mr. Liu, Prime Century and Grand Idea); and (ii) any Director or Shareholder having any connection with or dependence upon the Subscription and/or the Whitewash Waiver.

(g) As at the Latest Practicable Date, there were no agreements or arrangements to which the Subscriber nor any of the parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription (save as the conditions precedent to the Subscription) and the consequences of its doing so, including details of any break fees payable as a result.

(h) As at the Latest Practicable Date, the Company did not have any interest in the securities, options, warrants, convertible securities and derivatives of the Subscriber and had no dealings in the securities, options, warrants, convertible securities and derivatives of the Subscriber during the Relevant Period.

(i) As at the Latest Practicable Date, save that Mr. Liu is one of the directors of the Subscriber whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu for the benefit of his family members, none of the Directors had any interest in the securities, options, warrants, convertible securities and derivatives of the Subscriber.

(j) Save for the exercise of the Share Option to subscribe for 105,000 new Shares at an exercise price of HK$0.65 per Share by Mr. Chan Yiu Kwong on 29 May 2015, none of the Directors had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company or the Subscriber during the Relevant Period.

(k) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(l) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(m) As at the Latest Practicable Date, no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(n) As at the Latest Practicable Date, save for the interests disclosed in the sections "1. Share Capital" and "2. Disclosure of Interest" in this appendix in this circular, none of the Directors holds Shares of the Company.

(o) As at the Latest Practicable Date and during the Relevant Period, no securities, options, warrants, convertible securities and derivatives of the Company had been borrowed or lent by any of the Directors or by the Company or by the Subscriber or any party acting in concert with it.

(p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Subscription and/or the Whitewash Waiver or otherwise connected with the Subscription and/or the Whitewash Waiver.

(q) As at the Latest Practicable Date, no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and /or the Whitewash Waiver.

(r) As at the Latest Practicable Date, other than the Subscription Agreement, there was no material contract entered into by the Subscriber or any party acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) in which any Director had a material personal interest.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of 12 months or more;

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

Save as disclosed in the section headed "Connected Transaction" in the annual report of the Company for the year ended 31 December 2014, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2014 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed in the section headed "Connected Transaction" in the annual report of the Company for the year ended 31 December 2014 and the Subscription Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the Group and are or may be material:

(a) the subscription agreement dated 9 October 2013 entered into between Shenzhen Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網路技術開發有限公司) (an wholly-owned subsidiary of the Company which was indirectly controlled by the Company through contractual arrangements) ("Huadong Feitian") as subscriber and Ping'an Trust Co., Ltd. (平安信託有限責任公司) ("Ping'an Trust") as trustee to subscribe for the wealth management product issued by Ping'an Trust at the subscription amount of RMB60 million, further details of which are set out in the announcement of the Company dated 11 October 2013;

(b) the subscription agreement dated 11 November 2013 entered into between Huadong Feitian as subscriber and Ping'an Trust as trustee to subscribe for the wealth management product issued by Ping'an Trust at the subscription amount of RMB40 million, further details of which are set out in the announcement of the Company dated 14 November 2013;

(c) the subscription agreement dated 3 January 2014 entered into between Shenzhen Yunhai Qingtian Culture Communication Co., Ltd. (深圳市雲海情天文化傳播有限公司) ("Yunhai Qingtian") (which was an wholly-owned subsidiary of the Company which was indirectly controlled by the Company through contractual arrangements) as subscriber and Ping'an Trust as trustee to subscribe for the wealth management product issued by Ping'an Trust ("Wealth Management Product") at the subscription amount of RMB70 million, further details of which are set out in the announcement of the Company dated 7 January 2014;

(d) the partnership agreement dated 24 January 2014 entered into between Shenzhen Zhangyi Tianxia Technology Company Limited (深圳市掌翼天下科技有限公司) ("Zhangyi Tianxia") (which was a subsidiary of the Company which is indirectly controlled by the Company through contractual arrangements) and Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprises (Limited Partnership) (深圳市前海青松創業投資基金管理企業(有限合夥)) ("Qianhai Qingsong"), Mr. Liu and other independent third parties, pursuant to which the Group committed to invest RMB20 million to subscribe for approximately 6% interest of Shenzhen Qianhai Qingsong Venture Investment Fund (Limited Partnership) (深圳市前海青松創業投資基金企業(有限合夥)), further details of which are set out in the announcement of the Company dated 24 January 2014;

(e) the subscription agreement dated 9 April 2014 entered into between Phoenix Success Limited ("Phoenix Success") (a wholly-owned subsidiary of the Company) and Duomi Music (an associate company of the Group), pursuant to which Duomi Music had conditionally agreed to issue, and Phoenix Success had conditionally agreed to subscribe for, the convertible note for cash consideration in an aggregate principal amount of US$22,910,000, further details of which are set out in the announcement of the Company dated 9 April 2014;

(f) the subscription agreement dated 9 April 2014 entered into between Yunhai Qingtian as subscriber and Ping'an Trust as trustee to subscribe for the Wealth Management Product at the subscription amount of RMB70 million, further details of which are set out in the announcement of the Company dated 11 April 2014;

(g) the placing agreement dated 16 April 2015 entered into between the Company as issuer and First Shanghai Securities Limited (第一上海證券有限公司) ("First Shanghai") as placing agent, pursuant to which the Company had appointed First Shanghai to procure, on a best effort basis, placees to subscribe for up to 285,768,000 placing shares at a price of HK$0.73 per placing share, further details of which are set out in the announcements of the Company dated 16 April 2015 and 27 April 2015;

(h) the placing agreement dated 13 July 2015 entered into between the Company as issuer and First Shanghai as placing agent, pursuant to which the Company had appointed First Shanghai to procure, on a best effort basis, placees to subscribe for up to 120,000,000 placing shares at a price of HK$0.57 per placing share, further details of which are set out in the announcements of the Company dated 13 July 2015, 15 July 2015 and 22 July 2015; and

(i) the Subscription Agreement.

8. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on 13 July 2015 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	**Closing Price of the Shares** *HK$*
30 January 2015	0.56
27 February 2015	0.57
31 March 2015	0.76
30 April 2015	1.12
29 May 2015	0.95
30 June 2015	0.83
13 July 2015 *(being the Last Trading Day)*	0.65
31 July 2015	0.67
31 August 2015	0.49
Latest Practicable Date	0.46

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.415 on 24 August 2015 and HK$1.190 on 4 May 2015 respectively.

9. MATERIAL LITIGATION

None of the member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material important known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

10. EXPERTS AND CONSENTS

The following are the names and qualification of the experts who have given its opinions or advice which is included in this circular:

Name	Qualification
Donvex Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Grant Sherman Appraisal Limited	independent property valuer

As at the Latest Practicable Date, each of the experts named above:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its opinions and references to its name and logo in the form and context in which they are included;

(b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS INFORMATION

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands and the place of business in Hong Kong is situated at Suites 06–12, 33/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

(b) The joint company secretaries of the Company are Mr. Liu Pun Leung and Ms. Gao Keying. Mr. Liu Pun Leung is a member of the Hong Kong Institute of Certified Public Accountants and Institute of Internal Auditors. Ms. Gao Keying holds a master's degree in business administration from Tianjin University of Commerce and bachelor's degree in statistics from Zhengzhou University.

(c) The address of the Subscriber is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI and its correspondence address in Hong Kong is Room 1401, Java Commercial Centre, 128 Java Road, North Point, Hong Kong. HSBC International Trustee Limited, being the trustee of a family trust set up by Mr. Liu for the benefit of his family members, through intermediate holding companies, River Road and Knight Bridge, indirectly holds as to 100% of the issued share capital of the Subscriber. The settlor of this family trust is Mr. Liu. The directors of the Subscriber are Mr. Liu and Ms. Cheung Lo.

(d) The registered office of River Road is at Woodbourne Hall, Road Town, Tortola, the BVI. It is owned as to 100% by HSBC International Trustee Limited, being the trustee of a family trust set up by Mr. Liu for the benefit of his family members. The settlor of this family trust is Mr. Liu. The director of River Road is Lion International Management Limited.

(e) The registered office of Knight Bridge is at Woodbourne Hall, Road Town, Tortola, the BVI. It is owned as to 100% by River Road. The director of Knight Bridge Holdings Limited is Mr. Liu.

(f) The registered office of Prime Century is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. It is owned as to 80.20% by the Subscriber and as to 19.80% by Ms. Wang Gang. The directors of Prime Century are Mr. Liu and Ms. Cheung Lo.

(g) The registered office of Grand Idea is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI. HSBC International Trustee Limited, being the trustee of a family trust set up by Ms. Xie Yuanbi for the benefit of certain of her family members, through intermediate holding companies, Congenial Holdings Limited and Sunlight Star Assets Limited, indirectly holds as to 100% of the issued share capital of Grand Idea. The director of Grand Idea is Mr. Wang Daiqiang.

(h) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(i) The Independent Financial Adviser is Donvex Capital Limited whose address is Room 1305-1306 13/F., Carpo Commercial Building, 18-20 Lyndhurst Terrace, Central, Hong Kong.

(j) The independent property valuer is Grant Sherman Appraisal Limited whose address is Unit 1005, 10/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Suites 06-12, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, (ii) on the website of the Company (http://ir.a8.com), and (iii) on the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014;

(iii) the letter from the Board, the text of which is set out on pages 7 to 18 of this circular;

(iv) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;

(v) the letter from the Independent Financial Adviser, the text of which is set out on pages 20 to 40 of this circular;

(vi) the property valuation report as set out in Appendix II to this circular;

(vii) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(viii) the written consent referred to in the section headed "Experts and Consents" in this appendix; and

(ix) this circular.

13. GENERAL

The English text of this circular shall prevail over its Chinese text in case of inconsistencies.

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of A8 New Media Group Limited ("**Company**") will be held at Thursday, 24 September 2015 at 10:30 a.m. at 23/F, A8 Music Building, No.1002 Keyuan Road, Hi-tech Park, Nanshan District, Shenzhen, the PRC to consider and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the Subscription Agreement (as defined in the circular of the Company dated 8 September 2015) (the "**Circular**"), a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) dated 14 July 2015 entered into by the Company (as issuer) and Ever Novel Holdings Limited (being the subscriber referred to in the Circular) (the "**Subscriber**") (as subscriber) in respect of the subscription of 680,000,000 new ordinary shares (the "**Subscription Shares**") of HK$0.01 each in the Company by the Subscriber at the subscription price of HK$0.57 per Subscription Share and the grant of the Specific Mandate (as defined in the Circular) be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorised to do all such things and take all such actions (including but not limited to the allotment and issue of the Subscription Shares under the Specific Mandate) and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the Subscription Agreement and the Specific Mandate, and further to approve any changes and amendments thereto as he/she may consider necessary, desirable or appropriate; and

   (b) any one director of the Company be and is hereby authorised to do all such acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Subscription Agreement and the Specific Mandate for and on behalf of the Company."

2. "**THAT** subject to the Executive (as defined in the Circular (as defined above)) granting the Whitewash Waiver (as defined in the Circular) to the Subscriber (as defined in the Circular) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") waiving any obligation on the part of the Subscriber (as defined in the Circular) and parties acting in concert with it to make a mandatory general offer to the holders of securities of the Company to acquire securities of the Company other than those already owned or agreed to be purchased by the Subscriber and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of the completion of the Subscription (as defined in the Circular), be and is hereby approved and **THAT** any one director of the Company be and is hereby authorised to do all acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deem necessary, desirable or expedient to carry out or to give effect to any matters relating to or in connection with the Whitewash Waiver."

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

Hong Kong, 8 September 2015

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 06–12, 33/F.
Shui On Centre
6–8 Harbour Road, Wanchai
Hong Kong

Notes:

(a) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(b) In the case of joint holders of a share, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.

(c) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(d) The resolutions at the Meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the respective websites of the Stock Exchange and the Company in accordance with the Listing Rules.

As at the date of this notice, the board of Directors 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. Song Ke.