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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2017, the profit attributable to the shareholders of the Company amounted to approximately RMB10.0 million, representing a decrease of 38.8% from approximately RMB16.4 million for the corresponding period in 2016.
- For the six months ended 30 June 2017, the overall gross margin ratio of the Group was approximately 53.0%, while it was approximately 42.5% for the corresponding period in 2016.
- For the six months ended 30 June 2017, the revenue of the Group amounted to approximately RMB56.1 million, representing a decrease of 39.4% from approximately RMB92.6 million for the corresponding period in 2016.
- Strong balance sheet, with cash and bank balance and highly liquid short term assets of approximately RMB793.5 million and net assets of approximately RMB1,430.9 million as of 30 June 2017.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial information (“**Interim Accounts**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2017. The Interim Accounts have not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE, net of business tax and surcharges	4	55,802	91,645
Cost of services provided		<u>(26,038)</u>	<u>(52,257)</u>
Gross profit		29,764	39,388
Other income and gains, net	4	15,070	15,776
Selling and marketing expenses		(7,779)	(8,557)
Administrative expenses		(15,046)	(16,188)
Other expenses, net		(4,970)	(1,147)
Finance costs	5	(1,403)	–
Share of losses of associates		(1,735)	(7,503)
Share of losses of joint ventures		<u>(1,047)</u>	<u>(2,071)</u>
PROFIT BEFORE TAX	6	12,854	19,698
Income tax expense	7	<u>(2,823)</u>	<u>(3,350)</u>
PROFIT FOR THE PERIOD		<u>10,031</u>	<u>16,348</u>
Attributable to:			
Owners of the Company		10,014	16,350
Non-controlling interests		<u>17</u>	<u>(2)</u>
		<u>10,031</u>	<u>16,348</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB per share)		<u>0.4 cent</u>	<u>0.9 cent</u>
Diluted (RMB per share)		<u>0.4 cent</u>	<u>0.9 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	150,015	153,082
Investment properties		380,000	370,000
Prepaid land lease payments		13,030	13,192
Prepayment for acquisition of items of property, plant and equipment		1,779	1,548
Intangible assets		11,156	8,529
Investments in associates		26,679	28,414
Investments in joint ventures		21,886	22,933
Available-for-sale investments	11	68,994	60,994
Deferred tax assets		3,414	2,991
		676,953	661,683
TOTAL non-current assets			
CURRENT ASSETS			
Trade receivables	12	9,285	8,641
Prepayments, deposits and other receivables		16,279	15,510
Financial assets at fair value through profit or loss	13	315	326
Available-for-sale investments	11	18,000	8,700
Restricted cash balances and pledged deposits		155,401	33,664
Cash and cash equivalents		619,747	446,906
		819,027	513,747
Non-current asset held for sale		192,604	192,604
		1,011,631	706,351
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables	14	27,255	20,923
Other payables and accruals		52,168	129,965
Interest-bearing bank borrowings		92,150	26,870
Tax payable		7,320	8,330
Deferred income		7,174	8,120
		186,067	194,208
TOTAL current liabilities			
NET CURRENT ASSETS		825,564	512,143
TOTAL ASSETS LESS CURRENT LIABILITIES		1,502,517	1,173,826

		30 June	31 December
		2017	2016
		(Unaudited)	(Audited)
	<i>Note</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		62,860	60,360
Deferred income		8,717	6,058
Other payables		–	17,500
		<u>71,577</u>	<u>83,918</u>
Total non-current liabilities		71,577	83,918
Net assets		1,430,940	1,089,908
		<u>1,430,940</u>	<u>1,089,908</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>15</i>	23,376	15,123
Reserves		1,408,249	1,075,487
		<u>1,431,625</u>	<u>1,090,610</u>
Non-controlling interests		(685)	(702)
		<u>1,430,940</u>	<u>1,089,908</u>
Total equity		1,430,940	1,089,908
		<u>1,430,940</u>	<u>1,089,908</u>

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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 Group was involved in the following principal activities in the People's Republic of China (the "PRC" or "Mainland China"):

- provision of digital entertainment services
- property investment

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has 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 accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information are the same as those used in the annual financial statements for the year ended 31 December 2016, 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 information:

Amendments to IAS 7	<i>Statement of Cash Flows: Disclosure Initiative</i>
Amendments to IAS 12	<i>Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses</i>
Amendments to IFRS 12 included	<i>Annual Disclosure of Interests in Other Entities Improvements 2014-2016 Cycle</i>

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Segment net revenue	24,163	64,985	31,639	26,660	55,802	91,645
Cost of services provided	(17,884)	(44,645)	(8,154)	(7,612)	(26,038)	(52,257)
Gross profit	<u>6,279</u>	<u>20,340</u>	<u>23,485</u>	<u>19,048</u>	<u>29,764</u>	<u>39,388</u>
Segment results	<u>(5,951)</u>	<u>(49)</u>	<u>33,485</u>	<u>28,048</u>	<u>27,534</u>	<u>27,999</u>
Reconciliation:						
Bank interest income					5,066	4,457
Finance costs					(1,403)	–
Corporate and other unallocated income and expenses, net					(18,343)	(12,758)
Profit before tax					12,854	19,698
Income tax expense					(2,823)	(3,350)
Profit for the period					<u>10,031</u>	<u>16,348</u>

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

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value (net of business tax and surcharges) and estimated value of services rendered.

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

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue		
Digital entertainment		
Game-related revenue	20,804	57,072
Music-based entertainment	3,428	7,920
Sub-total	24,232	64,992
Property investment		
Rental and management fee income	31,898	27,627
	56,130	92,619
Less: Business tax and surcharges	(328)	(974)
Net revenue	55,802	91,645
Other income and gains, net		
Bank interest income	5,066	4,457
Fair value gains on investment properties	10,000	9,000
Foreign exchange differences, net	–	2,234
Others	4	85
	15,070	15,776

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Interest on bank loans	1,403	–

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Depreciation	4,422	3,626
Amortisation of intangible assets	2,078	1,060
Amortisation of prepaid land lease payments	162	162
Impairment of an investment in an associate	–	978
Fair value loss on financial assets at fair value through profit or loss	11	46
Exchange differences, net*/**	4,802	(2,234)

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

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

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2017 and 2016, 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.

An analysis of the income tax charges for the six months ended 30 June 2017 and 2016 is as follows:

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Current – PRC		
Charge for the period	510	999
Underprovision/(overprovision) in the prior years	236	(377)
Deferred	2,078	2,728
Total tax charge for the period	2,823	3,350

8. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

The calculation of the basic earnings per share amounts for the six months ended 30 June 2017 is based on the profit for the period attributable to equity holders of the Company of RMB10,014,000 (six months ended 30 June 2016: RMB16,350,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2017 of 2,489,853,000 (six months ended 30 June 2016: 1,814,260,000).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2017 and 2016 in respect of a dilution as the impact of the shares options outstanding and the awarded shares had an anti-dilutive effect on the basic earnings per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB1,465,000 (six months ended 30 June 2016: RMB1,677,000). There were disposals and/or write-off of property, plant and equipment of RMB110,000 (six months ended 30 June 2016: RMB80,000) during the six months ended 30 June 2017.

11. AVAILABLE-FOR-SALE INVESTMENTS

		30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
	Notes		
Current			
Unlisted financial products, at fair value	(a)	<u>18,000</u>	<u>8,700</u>
Non-current			
Unlisted equity investments, at cost	(b)	<u>68,994</u>	<u>60,994</u>
		<u>86,994</u>	<u>69,694</u>

Notes:

- (a) The current available-for-sale investments were unlisted financial products purchased from banks in the PRC which were principal unsecured with expected interest rates from 3.8% to 3.9% per annum.

In order to determine the fair value of the unlisted financial products, which has been categorised as level 3 hierarchy in fair value measurement, significant unobservable inputs including expected rate of return of 3.8% to 3.9% have been used.

The sensitivity of fair value of the input is a 1% increase/(decrease) in expected rate of return would result in increase/(decrease) in fair value by RMB180,000/(RMB180,000).

- (b) During the period, Shenzhen Kuitonglian Technology Company Limited, a wholly-owned subsidiary of the Company, subscribed to Qingsong Fund III pursuant to a partnership agreement dated 16 May 2017 for a total investment of RMB20 million. Qingsong Fund III mainly invests in the pan entertainment industry, education industry and consumer industry and focuses on creative enterprises at their initial stage of foundation and/or their early and medium stage of development within the industry.

12. TRADE RECEIVABLES

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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Billed		
Within 1 month	96	445
Over 1 month but less than 2 months	669	1,000
Over 2 months but less than 3 months	594	462
Over 3 months but less than 4 months	424	409
Over 4 months	2,531	68
	<u>4,314</u>	<u>2,384</u>
Unbilled	4,971	6,257
	<u>9,285</u>	<u>8,641</u>

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

14. 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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 1 month	4,633	1,327
1 to 3 months	1,985	1,231
4 to 6 months	1,413	618
Over 6 months	19,224	17,747
	<u>27,255</u>	<u>20,923</u>

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

15. SHARE CAPITAL

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid:		
2,766,992,628 (31 December 2016: 1,835,192,628) ordinary shares of HK\$0.01 each	<u>23,376</u>	<u>15,123</u>

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 HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2017	1,835,192,628	18,352	806,797	15,123	663,208	678,331
Issue of shares	931,800,000	9,318	372,720	8,253	330,129	338,382
Share issue expenses	—	—	(1,335)	—	(1,178)	(1,178)
As at 30 June 2017	<u>2,766,992,628</u>	<u>27,670</u>	<u>1,178,182</u>	<u>23,376</u>	<u>992,159</u>	<u>1,015,535</u>

On 19 December 2016, 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 ("Mr. Liu"), the Chairman of the Group, pursuant to which the Subscriber agreed to subscribe an aggregate of 931,800,000 new shares of the Company at a price of HK\$0.41 per share. The subscription was completed on 20 February 2017 and the Group raised a total of approximately HK\$382 million (equivalent to RMB338.4 million), before expenses.

16. COMMITMENTS

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Investments	<u>12,000</u>	<u>–</u>

17. RELATED PARTY TRANSACTION

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

	For the six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Game licence fee paid	<u>–</u>	<u>1,500</u>

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

BUSINESS REVIEW AND OUTLOOK

Business review for the first half of 2017

According to the Pan-entertainment Industry White Paper in China 2017 published by the Ministry of Industry and Information Technology of the PRC (《二零一七年中國泛娛樂產業白皮書》), the pan-entertainment industry has become a significant part of the national economy and the driving power to its growth. In 2017, the gross value of output by the pan-entertainment industry is forecasted to reach up to RMB480 billion, with growing rate at more than 15%. Following the industry development trend, in the first half of 2017, the Group has continued to cultivate the pan-entertainment business, strengthened the linkage between film & television & media products and games in order to develop developed competitive Intellectual Property (“IP”); created its online and offline music industry chain.

Film & television production

In April 2017, the Group has set up its wholly-owned subsidiary – Jisu Woniu Film & Television Media (Shenzhen) Co., Limited (「極速蝸牛影視傳媒(深圳)有限公司」, “A8 Film & Television”), aiming at engaging in the business of producing network dramas, videos, films and the like, and incubating IP. The establishment of A8 Film & Television will provide support to the Group’s game publishing business, linking the two business units together to mutual better development. In the first half of 2017, A8 Film & Television has started to cooperate with a number of well-known scriptwriters and directors, kicking start its production business on short videos and network dramas, etc..

Mobile games publishing platform

After the explosive development in 2014, the mobile games market starts to grow rationally. Along with the continuous increase of development and operation costs, exploiting users’ value in depth, enhancing products quality and refining operation have become the major development directions of most mobile games developers at the current stage.

In the first half of 2017, the Group has maintained our current strategy focusing on prime games with long operation period, while commencing to explore the new direction towards social mobile games. In the Period, the Group’s mobile game publishing business primarily developed on the below aspects:

1. Focus on recreational and competitive games which have more socializing nature

Social games like “Werewolf Killers” are new types of products in which the Group is interested. This is a new direction the Group is exploring. Launched in March 2017, “Werewolf Killer” (「狼人殺」) attracted around 3 million new users accumulatively in three months on platforms of the Group. Its users’ 7-day retention rate stayed at above 10% for the second quarter in 2017. Thanks to the increasing popularity of werewolf killers games nationwide, “Werewolf Killers” (「狼人殺」) published by the Group is expected to soar continually.

2. *Further explore the overseas markets*

As the first mobile game published abroad by the Group, “War of Kings” (「神之戰」) launched in the United States. The Group will keep on exploring overseas markets for other mobile games.

3. *Continuous development on prime mobile games with long operation period*

As an evergreen product of the Group which lasts for four years, “Papa Three Kingdoms” (「啪啪三國」) still maintained receiving RMB2 to RMB3 million on average per month. Its active user numbers and payment data also stayed stable.

Online and offline music industry chain

In the first half of 2017, Beijing Duomi Online Technology Co. Ltd. (「北京多米在線科技股份有限公司」, “Beijing Duomi”) focused on developing its music performance business which is based on content creation, devoting full efforts to create unique performance contents. Beijing Duomi has co-hosted with Migu Music Co., Ltd. (「咪咕音樂有限公司」, “Migu Music”), a wholly-owned subsidiary of China Mobile Communications Corporation and co-produced with IQIYI to launch a brand-new performance brand – Live 4 LIVE 尖叫現場 (“Live 4 LIVE”). Live 4 LIVE plans to hold 55 consecutive music performance activities. In the first half of 2017, Live 4 LIVE cooperated with a number of well-known singers including Zhou Bichang, Dimash, Justin, Huang Ling, Tez Cadey (a DJ from France), Aoi Teshima (a healing-style female singer from Japan), and six influential female Chinese singers – Su Huilun, Pan Yueyun, Xin Xiaoqi, Wan Fang, Zhao Yonghua and wawa, etc. Live 4 LIVE held 12 concerts and had footprint over five cities, namely Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu which are influential in culture consumption.

Through launching migu co-membership system with Migu Music, Beijing Duomi promoted the development of its wireless music business. After half-year’s efforts, Live 4 LIVE has gained certain brand awareness. In addition to revenue from tickets, revenue from advertising also met the anticipation. The revenues from Live 4 LIVE are expected to keep growing.

Cultural industry park – National Music Industry Park – A8 Music Building

A8 Music Building is the National Music Industry Park. It is located in the core area of Shenzhen Bay area in Nanshan District, Shenzhen, next to Shenzhen Software Industrial Park and close to Qianhai and Houhai, and has a superior location. The total gross floor area is more than 50,000 sq.ms which include commercial office, commercial retail and parking lots. In March 2017, A8 Music Building was successfully selected as the Extraordinary Property Management Project of the Year in the property management competition. Through several rounds of onsite inspection and voting by government experts, A8 Music Building won the first place of Nanshan district with a score up to 98 points. The property investment business of A8 Music Building has been re-designated as the principal business of the Group since the mid-2015. A8 Music Building has generated an overall income of RMB31.90 million in the first half of 2017, representing an increase of 15.5% as compared to the same period of last year.

Furthermore, offline live music performance brand A8Live is operated together with the LiveHouse Theater located in the podium of the A8 Music Building, its business functions include live music performance, maker café, professional studio, band rehearsal rooms and music education center. A8Live has held around 61 performance activities in the first half of 2017 in diversified activity forms such as artists performance, band shows, concerts, fans meeting, press releases, charitable activities and live broadcasts, etc. Artists being invited to A8Live are becoming more international, including well-known artists and bands such as Declan Galbraith, Wuwuhui, Huang Ling, Dingdang, Huang Qianshan and the like. Going forward, celebrities having performances in venues such as LiveHouse will become a trend. Interactive performance with short distance will be a selling point for LiveHouse to attract audience. By handling such performance activities, A8Live team has accumulated extensive experience. The enhanced brand will facilitate the subsequent exploration of the operation of LiveHouse and O2O model to a larger extent.

IP reservation – Beijing Zhangwen

Along with the development of network communication technology and popularization of mobile internet, contents have become gateways which attracts users. Contents also connect multiple consumption modules. In this context, the Group has cooperated with Beijing Zhangwen Information Technology Co., Ltd. (「北京掌文信息技術有限公司」, “Beijing Zhangwen”) in reserving IP to provide great literature resource to A8 Film & Television.

Business outlook for the second half of 2017

In the second half of 2017, the Group will continue to reinforce its strategy in the pan-entertainment industry chain. On one hand, the Group will proactively seek for investment opportunities in the pan-entertainment industry, accelerating its development by outbound expansion; at the same time, the Group will enhance the operation of every single business units.

Film & television production

A8 Film & Television, targeting at the new generation of 90s, starting from fine literature IPs of Beijing Zhangwen, combines external cooperating channels to produce film and television products to incubate IPs. It will build its own teams on screenwriting, directing, producing, promoting and releasing.

In the second half of 2017, two network dramas and one short video projects have been kicked off. First, A8 Film & Television will work with famous scenarist Yan Kun (「閻坤」) to produce network drama “Gaimingshi” (「改命師」). “Gaimingshi” (「改命師」) is the third of the novel series of Ghost Agent (「陰陽代理人」) which totally has five series. On the official website of Heiyan (「黑岩」) of Beijing Zhangwen, this novel has around 32 million hits. Second, A8 Film & Television has cooperated with famous director and scenarist Xiang Guoqiang (「相國強」) to produce a suspense-style short video series One Thousand “Bizarre Nights” (「一千奇異夜」) (tentative name), which is currently in filming. Third, youthful fantastic network drama “Meeting You” (「遇見」) (tentative name) has been in the stage of playwriting, whose chief consultant be Tang Baoqin (「唐寶琴」).

Mobile games publishing platform

The Group will continue to deepen the interaction between mobile game publishing and other business units, to bring synergy effect in the game publishing in future. Mobile games such as “Papa Three Kingdoms” (「啪啪三國」) and “Werewolf Killers” (「狼人殺」) launched by the Group are from projects invested by Qingsong Fund. The Group is an investor of Qingsong Fund. The investment business of the Group provided more new opportunities for the game publishing business. Going forward, the Group will try from develop and launch games for IP incubated by A8 Film & Television.

Strategy for overseas markets – further penetrating markets in Europe and the United States, opening up markets in Hongkong, Macao and Taiwan

The Group will keep improving War of Kings which was launched in the United States. More adjustments will be made gradually to ensure number of new users’ steadily increase. “Xiawuyu” (「俠物語」) has passed domestic data tests and reached excellent data level which achieved Grade A by channel rating. In the third quarter in 2017, “Xiawuyu” (「俠物語」) is expected to be launched in Hongkong and Macao.

Strategy for domestic markets – focusing on recreational and competitive games which have more socializing nature

The Group will continuously focus on its new direction on creational and competitive mobile games, starting to layout on easy-to-play, with socializing nature, as a breakthrough in the markets.

Online and offline music industry chain

In the second half of 2017, Beijing Duomi will make every effort to conduct the operation of Live 4 LIVE music performance activities, expanding its branding influence. By high-quality performance facilities and environment, close watching experience, uniquely creative performance and creative artist group and performers, Beijing Duomi aims to establish a cultural performing brand image with good taste. The promotion of Beijing Duomi fully leverages the strength of internet. At the same time, Beijing Duomi will take advantage of the influence and good word of mouth of Live 4 LIVE, to experiment on other unique contents. Beijing Duomi attempts another music performance projects independent from “Live 4 LIVE” utilizing its rich experience in hosting offline performance activities.

Beijing Duomi will keep on strengthening the operation of “Oops” (「偶撲」) platform and “Duomi Music” platform. Beijing Duomi aims to build connections among online music, offline performance, membership and fan economy, to create synergy effect and online and offline interaction.

Cultural industry park – National Music Industry Park – A8 Music Building

In the second half of 2017, the Company will move forward the development of A8Live towards branding and content making. We will continue to expand performance business and reinforce branding promotion and industrial influence. A8Live plans to work together with famous domestic performance brands, such as Sony, Damai, Migu Music, Taihe Music, Tencent Music and the like, continuing to introduce high-quality performance and enriching its performance contents. In the second half of 2017, income from performance business of A8Live is expected to increase by enhancing performance quality and increasing the number of performance activities.

With the ancillary facilities getting mature and a great number of outstanding cultural and technology companies moving into A8 Music Building, A8 Music Building has become a cultural landmark of Shenzhen City. The industry portfolio of the cultural industry park has been optimized. We will keep exploring new cultural industry models, to stabilize the income increase of the industry park. At the same time, the Group will continue to enhance the property management level and provide better service for clients, in order to receive consistent and stable income.

FINANCIAL REVIEW

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2017, the revenue of the Group amounted to approximately RMB56.1 million, representing a decrease of approximately 39.4% as compared with the corresponding period in 2016 (2016: approximately RMB92.6 million).

Digital entertainment services

For the six months ended 30 June 2017, the revenue of digital entertainment services of the Group amounted to approximately RMB24.2 million, representing a decrease of approximately 62.7% as compared with the corresponding period in 2016 (2016: approximately RMB65.0 million). The decrease was mainly resulted from the decrease of game related services amounted to approximately RMB36.3 million.

Property investment business

For the six months ended 30 June 2017, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB31.9 million, representing an increase of approximately 15.5% as compared with the last corresponding period (2016: approximately RMB27.6 million). The increase was mainly due to the increased occupancy rate and unit rental resulted from high quality property management services.

For the six months ended 30 June 2017, the profit attributable to equity holders of the Company amounted to approximately RMB10.0 million, representing a decrease of approximately 38.8% as compared with the corresponding period in 2016 (2016: approximately RMB16.4 million). The decrease was mainly attributable to the underperformed mobile game related services of the Group resulted from the delay in launching several mobile games, which was partially offset by the increase of contribution from property investment business of the Group.

Cost of services provided

For the six months ended 30 June 2017, the cost of services provided of the Group amounted to approximately RMB26.0 million, representing a decrease of approximately 50.2% as compared with the corresponding period in 2016 (2016: approximately RMB52.3 million).

Digital entertainment services

For the six months ended 30 June 2017, the cost of services provided of digital entertainment services amounted to approximately RMB17.9 million, decreased by approximately 59.9% as compared with the corresponding period in 2016 (2016: approximately RMB44.6 million), which mainly resulted from the decrease in revenue shared with distribution channels and business alliances accompanied with the fall in related revenue. The cost of services provided mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as music copyrights, game publishing rights and direct labor costs.

Revenue shared with mobile operators and distribution channels mainly ranged from 30% to 60% of total digital entertainment services revenue received from mobile users and it averaged at approximately 44.4% for the six months ended 30 June 2017 (2016: approximately 50.4%), while revenue shared with business alliances averaged at approximately 15.4% of total digital entertainment services revenue for the six months ended 30 June 2017 (2016: approximately 15.2%).

Property investment business

For the six months ended 30 June 2017, the cost of services provided of property investment business amounted to approximately RMB8.2 million, increased by approximately 7.1% as compared with the corresponding period in 2016 (2016: approximately RMB7.6 million). It mainly comprised of employee's compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the six months ended 30 June 2017, the gross profit of the Group amounted to approximately RMB29.8 million, representing a decrease of approximately 24.4% as compared with the corresponding period in 2016 (2016: approximately RMB39.4 million). The overall gross margin ratio of the Group was approximately 53.0%, as compared with approximately 42.5% for the last corresponding period. The increase of the overall gross margin ratio was mainly resulted from the increase in contribution of property investment business which generated higher profit ratio.

Other income and gains, net

For the six months ended 30 June 2017, the other income and gains of the Group were approximately RMB15.1 million, as compared with a net gain of approximately RMB15.8 million for the last corresponding period, representing a slight decrease of approximately 4.5%. The decrease was mainly due to the decrease in the foreign exchange gain amounted to approximately RMB2.2 million, which was partly offset by the increase of fair value gain on investment properties and bank interest income amounted to approximately RMB1.0 million and RMB0.6 million, respectively.

Selling and marketing expenses

For the six months ended 30 June 2017, the selling and marketing expenses of the Group amounted to approximately RMB7.8 million, decreased by 9.1% as compared with the corresponding period in 2016 (2016: approximately RMB8.6 million). The decrease in selling and marketing expenses was mainly due to the decrease of labor cost.

Administrative expenses

For the six months ended 30 June 2017, the administrative expenses of the Group amounted to approximately RMB15.0 million, representing a decrease of 7.1% as compared with the corresponding period in 2016 (2016: approximately RMB16.2 million), which resulted from effective cost control activities carried out during the period.

Share of losses of associates

For the six months ended 30 June 2017, the Group shared losses of associates amounted to approximately RMB1.7 million, representing a significant decrease of 76.9% as compared with approximately RMB7.5 million in the last corresponding period. The decrease was mainly due to shared loss of Beijing Duomi amounted to approximately RMB5.3 million in last corresponding period while no losses taken up for this period as the investment cost of Beijing Duomi had been reduced to zero as at 31 December 2016.

Tax

For the six months ended 30 June 2017, income tax of the Group amounted to approximately RMB2.8 million, as compared with approximately RMB3.4 million for the corresponding period in 2016.

The effective tax rate of the Group was approximately 22.0% in the six months ended 30 June 2017 (2016: approximately of 17.0%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 15% and 25% in the respective operating subsidiaries of the Group in 2017. The decrease in tax expense was mainly due to the increase of the deferred tax assets amounted to approximately RMB0.7 million which related to deferred income.

Non-current assets

As at 30 June 2017, the total non-current assets of the Group amounted to approximately RMB677.0 million (2016: approximately RMB661.7 million), increased by approximately RMB15.3 million. The increase was mainly due to the increase of fair value gain on investment properties of A8 Music Building and available-for-sale investments amounted to approximately RMB10.0 million and RMB8.0 million, respectively, which were partly offset by the decrease of property, plant and equipment amounted to approximately RMB3.1 million.

Current assets and current liabilities

As at 30 June 2017, the total current assets of the Group amounted to approximately RMB1,011.6 million (2016: approximately RMB706.4 million), increased by approximately RMB305.3 million.

The increase was mainly due to the increase of cash and cash equivalents, restricted cash balances and pledged deposits and available-for-sale investments amounted to approximately RMB303.9 million, resulted from the net proceeds received from issuing new shares completed on 20 February 2017 amounted to approximately RMB337.2 million. Trade receivables amounted to approximately RMB9.3 million (2016: approximately RMB8.6 million), and the turnover days of trade receivables was approximately 67 days (2016: approximately 39 days).

As at 30 June 2017, the total current liabilities of the Group amounted to approximately RMB186.1 million (2016: approximately RMB194.2 million), decreased by approximately RMB8.1 million. The decrease was mainly resulted from the decrease in other payables and accruals amounted to approximately RMB77.8 million, which was partly offset by the increase of interest-bearing bank borrowings and trade payables of approximately RMB65.3 million and RMB6.3 million, respectively. The decrease in other payables and accruals were mainly resulted from the payment for acquisition of 35% equity interests in Beijing Zhangwen amounted to approximately RMB87.5 million subject to the payment provision in the subscription agreement.

Liquidity and financial resources

As at 30 June 2017, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash and pledged deposits, available-for-sale investments and financial assets at fair value through profit or loss amounted to approximately RMB793.5 million (2016: approximately RMB489.6 million). Among which, approximately RMB253.8 million, or approximately 32% was denominated in RMB.

As at 30 June 2017, the Group have short-term interest-bearing bank borrowings in aggregate amounted to approximately RMB92.2 million (2016: approximately RMB26.9 million), and the gearing ratio which is measured by the net borrowings over the total assets is 5.5% (2016: approximately 2.0%).

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

As at 30 June 2017, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Cash flow

Net cash inflow from operating activities of the Group for the six months ended 30 June 2017 was approximately RMB9.4 million, resulted from cash inflow generated from operations of approximately RMB11.1 million and the tax paid of approximately RMB1.8 million.

Net cash outflow from investing activities of the Group for the six months ended 30 June 2017 was approximately RMB199.8 million, resulted from the cash outflow for increase of restricted cash and pledged deposits, payment for acquisition of non-current asset held for sale related to 35% of equity interest in Beijing Zhangwen, acquisition of available-for-sale investments amounted to approximately RMB121.7 million, RMB87.5 million and RMB17.3 million, respectively, which were partly offset by the decrease in time deposits more than three months and interest received amounted to approximately RMB30.0 million and RMB5.1 million, respectively.

Net cash inflow from financing activities of the Group for the six months ended 30 June 2017 was approximately RMB401.1 million, mainly resulted from net proceeds received from issue of new shares and principal of new bank loan amounted to approximately RMB337.2 million and RMB107.2 million, respectively, which were partly offset by the repayment of principal and interest of the bank loans of approximately RMB41.9 million.

Human resources

As at 30 June 2017, the Group had 146 employees (as at 30 June 2016: 122 employees). However, the average headcounts of the period was 106 while it was 135 for the corresponding period in 2016. Total employee costs for the six months ended 30 June 2017, including directors' emoluments, amounted to approximately RMB11.1 million (2016: approximately RMB14.0 million). The decrease in employee costs was mainly resulted from the labor adjustment in relation to business restructuring.

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

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.

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

During the period ended 30 June 2017, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2017, all the code provisions set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the "**CEO**") to be performed by different individuals.

Mr. Liu Xiaosong has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group. The Board considered that Mr. Liu is able to lead the Board in making better business decision for the group. Therefore, Mr. Liu has had the dual roles of the chairman and CEO of the Company despite deviation from code provision A.2.1 during the reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2017. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended 30 June 2017.

PUBLICATION OF 2017 INTERIM RESULTS AND INTERIM REPORT

The 2017 interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.a8nmg.com>). The 2017 interim report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company on or about Tuesday, 5 September 2017.

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

Hong Kong, 23 August 2017

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

- (1) Executive Directors namely Mr. Liu Xiaosong and Mr. Lin Qian; and*
- (2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Li Feng.*