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A8 New Media Group Limited
A8新媒體集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 800)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue of the Group for 2018 amounted to approximately RMB151.8 million, representing an increase of approximately 9.1% as compared with 2017 (2017: approximately RMB139.1 million).

- Loss for 2018 of the Group amounted to approximately RMB90.5 million, as compared with a profit of approximately RMB25.0 million in 2017.

- The profit margin ratio of the Group was approximately 44.7% for 2018, which decreased 3.2 percentage point as compared to that of 2017, while it was approximately 47.9% for 2017.

- Strong balance sheet with cash and bank balance and highly liquid short term assets of approximately RMB601.8 million.

The board of directors (the "**Board**") of A8 New Media Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW FOR 2018

In 2018, driven by games and film & television industries, the scale of China's pan-entertainment core industry continued to grow. Based on The White Book on 2017-2018 Pan-entertainment Industry Ecosystem in PRC published by Analysys, the industrial scale is estimated to reach RMB702.9 billion, an increase of 17.5% over 2017. With the increase of Intellectual Property ("**IP**") linkage, the content of single work gradually deepened, the overall value of IP was enlarged through full copyright linkage. This trend also activate incremental users for the market and occupy users' time through multi-form content. In the future, the pan-entertainment industry will continue to maximize IP value through different IP forms, in order to achieve sustainable and multi-channel monetization.

In 2018, the Group kept developing in the industry chain of pan-entertainment field. The Group continued creating new IP contents, associate with the resource in each of the business segments, so as to develop prime IP contents. The following is a review of the development in various business segments of the Group:

FILM & TELEVISION PRODUCTION

The Group's 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**"), was established in 2017 and is principally engaged in the business of producing web dramas, videos and films.

Web Drama"Matchmaker of Great Zhou Dynasty" Completed Shooting

"Matchmaker of Great Zhou Dynasty" (「大周小冰人」), the lightly funny idol costume drama jointly developed and produced by A8 Film & Television and iQIYI, Inc. ("**iQIYI**"), was online in March 2019 on iQIYI. "Matchmaker of Great Zhou Dynasty" is the top ten IP customized web drama of the iQIYI "Yunteng Scheme" (「雲騰計劃」).

Investment in Lanlanlanlan Film & Television

Up to 31 December, 2018, the Group held 29.52% share in Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司, "**Lanlanlanlan Film & Television**") in aggregate through capital increase, share acquisition and performance compensation. Lanlanlanlan Film & Television is an associate of the Company. It mainly engages in the business of script writing, script selling, script adaptation, production of web series, TV series, cinema movies, web movies and related businesses. It hired over 100 screenwriters and is currently one of the largest domestic screenwriter team. The large screenwriter teams enable Lanlanlanlan Film & Television to substantially shorten the script production cycle in an efficient and effective manner and has the experience and ability to mass-produce web dramas.

GAME BUSINESS

In February 2018, the Group acquired 51% equity interest of independent game research and development companies, Shanghai Mu77 Network Technology Co., Ltd. (上海木七七網絡科技有限公司, "**MU77SH**") and Mu77 Network Technology Hongkong Limited (香港木七七網絡科技有限公司, "**MU77HK**") (collectively "**Mu77**"). Mu77 is mainly engaged in the research, development and operation of independent games. It won the honor of "Alibaba Game Eco Top Ten Creative Manufacturers" in 2018. Mu77's self-developed product "Card Monster" (「卡片怪獸」) continued to operate jointly with Tencent Aurora platform in mainland China, and maintained at the top 30 on the Best-selling List of WeChat games. In overseas regions, this product was continuously recommended by iOS and Google Play. The game's annual revenue maintained a steady upward trend.

Miniatures game project "Colossus Knights" (「巨像騎士團」) was initiated in 2018. By simplifying the operation Mu77 expected that this miniatures game could better fit the operating experience on the mobile side. At present, the project is under early demo testing on the TapTap platform, and has received over 20,000 subscribers and gained a 9.0 user rating. The project is expected to be commercialized in 2019. In 2018, Mu77 also launched game projects "Immortal Chat Group" (「修真聊天群」) and "Adventure and Dragon Training" (「冒險與馴龍」, temporary name). The Group joint created and developed these two games with China Mobile Games and Entertainment Group Limited ("**CMGE**") and Unicorn Games.

Finger Fun, the Group's game distribution platform, continued to focus on the publication of products in sub-areas. In 2018, Finger Fun mainly published "Making Soldiers in Three Kingdoms" (「造兵三國」), "Three Kingdoms Wars M" (「三國志大戰M」), "Werewolf Killers" (「狼人殺」) and "Xiawuyu" (「俠物語」).

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, close to Qianhai (「前海」) and Houhai (「後海」), and has a superior location. The total gross floor area is more than 50,000 sq.m which includes commercial office, podium commercial property and parking lots. In 2018, A8 Music Building won the first prize in "Shenzhen Excellent Property Management Project" (「深圳市優秀物業管理優秀項目」) awarded by Shenzhen Property Management Industry Association. The property investment business of A8 Music Building has been re-designated as the main business of the Group since mid-2015. A8 Music Building has generated an overall income of approximately RMB74,600,000 in 2018, representing an increase of approximately 14.3% 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 more than 200 performance activities in 2018 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 Qishan 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 to a larger extent.

ONLINE LITERATURES – BEIJING ZHANGWEN

The associate of the Group, 北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd.) ("**Beijing Zhangwen**"), operates Heiyan.com (黑岩網), one of the largest domestic single suspense-style literatures platforms, Ruochu.com (若初網), the platform mainly for women's romance literatures, Ruoxia.com (若夏網), the platform mainly for ancient-style literatures, and Lemon Read (檸檬免費小說). Beijing Zhangwen is mainly engaged in the incubation and operation of IP, provision of online paid-to-read service, and licensing adaptation of literatures to mobile games, web dramas, television dramas and movies, cartoons, comics and audio works.

Stable development in own platform business and rapid growth in third-party distribution business

By the end of 2018, the cumulative number of registered users of Beijing Zhangwen had exceeded 29 million, maintaining approximately an average compound annual growth rate of 40% over the past four years. The quality content of its own platforms has continued to expand and cumulatively published more than 115,000 works. It represented an increase of approximately 20% over the previous year in terms of number of works.

In 2018, the third-party distribution business has grown rapidly. With the original distribution channels such as China Literature (「閱文集團」), Ali Literature (「阿里文學」), iReader (「掌閱文學」), Chasing Artifacts (「追書神器」), Zhongheng Literature (「縱橫文學」), Baidu Cloud (「百度雲」), Migu Culture (「咪咕文化」) in hand, Beijing Zhangwen continued to expand new distribution channels. In 2018, Beijing Zhangwen's innovative operation mode of its non-serial IP won the first battle. "Jiangliao" (「姜了」) achieved more than 10 million readings soon after getting online in Toutiao.

Sustainable and steady development in content licensing business

Beijing Zhangwen made a major breakthrough in the licensing of audio works. In 2018, Beijing Zhangwen's work occupied the first place on the Himalayan FM (「喜馬拉雅FM」)'s Pay-to-listen List and Free-to-listen List. Some of the audio works from Beijing Zhangwen entered the top ten of Lazy People Listening (「懶人聽書」）'s Hot Search List and Dragonfly FM (「蜻蜓FM」)'s Completion Reading List. The success of the audio works further broadened the monetization channels of the online literature IPs of Beijing Zhangwen.

In terms of IP literature licensing to films & televisions, Beijing Zhangwen cooperated with around 60 works in aggregate up to now. The ancient web drama "Shaoqing's Pet Life in Dali Temple" (「大理寺少卿的寵物生活」) jointly created by Beijing Zhangwen and tv.sohu.com (搜狐視頻) went on line in September 2018. Up to the date of this announcement, the number of view have exceeded 140 million. At the same time, Beijing Zhangwen and iQIYI "Yunteng Scheme" have three authorized works, one of which is a first-class work.

BUSINESS OUTLOOK FOR 2019

In 2019, the Group will continue to create prime IP and promote the circulation and interaction of IP among different product forms, and further explore the value of customers to meet their needs.

FILM & TELEVISION PRODUCTION

In 2019, the Group's film & television business will continually take premium literature IP as the starting point to develop film and television projects.

GAME BUSINESS

In 2019, the Group will maintain a stable proportion of self-research projects and customized projects in the follow-up game product planning, in order to ensure a steady increase in income level. Two customized games:"Immortal Chat Group" (「修真聊天群」) costomized for CMGE and "Adventure and Dragon Training" (「冒險與馴龍」) comstomized for Unicorn Games, and one self – research game "Colossus Knights" (「巨像騎士團」) are all expected to get on line in 2019.

CULTURAL INDUSTRY PARK – NATIONAL MUSIC INDUSTRY PARK – A8 MUSIC BUILDING

In 2019, the Group will continue to enhance the property management level and provide better service for clients, in order to receive consistent and stable income. At the same time, the Company will be dedicated in moving forward the development of A8Live towards its branding and content making. We will continue to expand performance business and reinforce branding promotion and industrial influence.

ONLINE LITERATURES – BEIJING ZHANGWEN

In 2019, while continuing to consolidate its dominance in the suspense themes, Beijing Zhangwen will enhance the research and development of the new themes and contents. Meanwhile, Beijing Zhangwen will also vigorously develop distribution of online literature business and the comic distribution platform. Through the multi-way development of suspense-style literatures, it can fully utilize the advantage of the traffic from the existing literature platform, Heiyan.com.

MANAGEMENT DISCUSSION AND ANALYSIS

1 FINANCIAL REVIEW

Revenue and profit attributable to owners of the Company

For the year ended 31 December 2018, the revenue of the Group amounted to approximately RMB151.8 million, representing an increase of 9.1% as compared with 2017 (2017: approximately RMB139.1 million).

Digital entertainment services

For the year ended 31 December 2018, the revenue of digital entertainment services of the Group amounted to approximately RMB77.2 million, representing an increase of approximately 4.6% as compared with 2017 (2017: approximately RMB73.8 million). The increase was mainly resulted from the increase of game related services amounted to approximately RMB4.1 million which was derived from revenue of the newly acquired subsidiary of Mu77.

Property investment business

For the year ended 31 December 2018, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB74.6 million, representing an increase of approximately 14.3% as compared with 2017 (2017: approximately RMB65.3 million). The increase was mainly due to the increase in occupancy rate and unit price resulted from the high quality property management service.

Cost of services provided

For the year ended 31 December 2018, cost of services provided by the Group amounted to approximately RMB80.5 million, representing an increase of approximately 13.4% as compared with 2017 (2017: approximately RMB70.9 million). The increase was mainly due to the increased amortization and impairment of game copyrights during the year.

Digital entertainment services

For the year ended 31 December 2018, the cost of services provided of digital entertainment services amounted to approximately RMB59.6 million, increased by approximately 15.4% as compared with 2017 (2017: approximately RMB51.6 million). It mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as game copyrights 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 32.7% for the year ended 31 December 2018 (2017: approximately 40.2%), while revenue shared with business alliances averaged at approximately 19.0% of total digital entertainment services revenue for the year ended 31 December 2018 (2017: approximately 12.1%).

Property investment business

For the year ended 31 December 2018, the cost of services provided of property investment business amounted to approximately RMB20.9 million, increased by approximately 8.1% as compared with 2017 (2017: approximately RMB19.4 million). It mainly comprises employees' compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the year ended 31 December 2018, the gross profit of the Group amounted to approximately RMB67.9 million, representing a slight increase of approximately 1.9% as compared with 2017 (2017: approximately RMB66.7 million). The overall gross margin ratio of the Group (which is calculated based on gross revenue divided by gross profit) was approximately 44.7%, as compared with approximately 47.9% for the year ended 31 December 2017. The decrease of gross margin ratio was resulted from the decreased gross margin ratio of digital entertainment services, which mainly due to the increase of amortization and impairment of game copyrights for the current year.

Other income and gains, net

For the year ended 31 December 2018, the other income and gains of the Group were approximately RMB101.8 million, representing an increase of approximately 52.6% as compared with a net gain of approximately RMB66.7 million for the year ended 31 December 2017.

The increase was mainly due to the increase of fair value gains on financial assets at fair value through profit or losses mainly in relation to the fund investments, deemed disposal gain on an investment in an associate, bank interest income amounted to approximately RMB61.7 million, RMB2.8 million and RMB2.7 million, respectively, which were partly offset by the decrease of fair value gain on investment properties of approximately RMB32.0 million.

Selling and marketing expenses

For the year ended 31 December 2018, the selling and marketing expenses of the Group amounted to approximately RMB43.6 million, representing an increase of approximately 58.9% as compared with 2017 and approximately 56.5% of the digital entertainment services revenue (2017: approximately RMB27.4 million, representing approximately 37.2% of digital entertainment services revenue). The increase in selling and marketing expenses and its ratio to the related revenue were mainly due to the increase in marketing and promotion expenses amounted to approximately RMB13.8 million arising from promotion activities for various mobile games during their launch stage.

Administrative expenses

For the year ended 31 December 2018, the administrative expenses of the Group amounted to approximately RMB56.2 million, representing an increase of 66.6% as compared with 2017 (2017: approximately RMB33.7 million). The increase was mainly due to the increase in employee costs amounted to approximately RMB15.6 million in relation to labor cost of the newly acquired subsidiary of Mu77 completed in March 2018 and the Group's labor adjustment following the business development.

Other expenses, net

For the year ended 31 December 2018, the other expenses, net of the Group amounted to approximately RMB114.8 million, representing a significant increase of 330.1% as compared with 2017 (2017: approximately RMB26.7 million). The increase was mainly due to the increase of goodwill impairment related to the associates and a newly acquired subsidiary amounted to approximately RMB85.3 million.

The impairment of goodwill was made when the expected future recoverable amount is lower than the investment cost. During the year, the Group recorded an impairment of goodwill amounted to approximately RMB72.0 million in relation to Lanlanlanlan Film & Television with the reasons as followings: First, as the performance of the animated film "Pretty Princess" (「兩個俏公主」) at the box office was not satisfactory, the company decided to temporarily suspend the business of animated films. Second, it was also expected that the business plan of for TV dramas will be stagnant in the next two years. Further, it was expected that the revenue from the sale of scripts as well as the scale and progress of the development of online film, in the next two years would be lower than the business forecast made at the end of 2017. Hence, the Group made the impairment.

Another impairment was made to the newly acquired 51% equity interest of Mu77 that engaged in game development business. During the year, the game page number tightening strategy implemented by State Administration of Radio Film and Television had adverse effect on the whole game industry which would restrict or postpone the game publishing. Mu77 suffered losses for the current year resulted from the above reason and also the delayed process of game development. The Group considered that the industry policy will continually affected Mu77 and based on the latest valuation by independent valuer as at 31 December 2018, the Group made a goodwill impairment for Mu77of approximately RMB35.0 million.

Share of profits/(losses) of associates

For the year ended 31 December 2018, the Group shared losses of associates amounted to approximately RMB12.7 million, compared to share of profits of approximately RMB2.4 million in 2017. The change was mainly due to the increase of shared losses of Lanlanlanlan Film & Television and Beijing Duomi amounted to approximately RMB16.9 million and RMB4.4 million respectively, which were partly offset by the increase of shared profits of Beijing Zhangwen amounted to approximately RMB5.0 million as compared with 2017.

For the financial year ended 31 December 2018, Lanlanlanlan Film & Television recorded an audited net loss of approximately RMB65.0 million for 2018. Lanlanlanlan Film & Television launched the movie called "Pretty Princess" ("兩個俏公主") in 2018 and the cost of which amounted to approximately RMB30 million. Nevertheless, the performance of this movie at the box office was not satisfactory. Further, there was asset impairment loss of approximately RMB34.6 million incurred by Lanlanlanlan Film & Television in 2018, comprising (i) the bad debt written off of approximately RMB8.9 million; and (ii) the impairment loss on inventory of approximately RMB25.7 million. Therefore, the Group shared losses of Lanlanlanlan Film & Television amounted to approximately RMB16.9 million.

The Group's investment in Beijing Duomi was recovered resulted from the significant fair value increase of its financial assets at fair value through other comprehensive income in relation to Inke Limited, which was listed in HKEx in July 2018. Thus, the Group shared losses of Beijing Duomi's for the year amounted to approximately RMB4.4 million.

Income tax

For the year ended 31 December 2018, the income tax expense of the Group amounted to approximately RMB24.8 million, representing an increase of approximately 44.9% as compared with approximately RMB17.1 million in 2017, which was mainly due to the increase of deferred tax liability related to the increased appreciation of financial assets at fair value through profit or loss which was offset by the decreased appreciation of A8 Music Building.

With reference to the existing Corporate Income Tax Law in China, the statutory tax rates are 25% in the respective operating subsidiaries of the Group in 2018.

Profit/loss attributable to equity holders of Company

For the year ended 31 December 2018, the loss attributable to equity holders of Company amounted to approximately RMB85.2 million, as compared with a profit of approximately RMB25.0 million in 2017. The significant reverse change was mainly due to the impairment of goodwill amounted to approximately RMB72.0 million and RMB35.0 million in relation to the investment in an associate of Lanlanlanlan Film&Television and the newly acquired subsidiary of Mu77.

Liquidity and Financial Resources

As at 31 December 2018, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash and pledge deposits and financial assets at fair value through profit or loss amounted to approximately RMB601.8 million (2017: approximately RMB712.2 million). Among which, approximately RMB214.4 million, or approximately 36.0% was denominated in RMB.

As at 31 December 2018, the Group has short-term interest-bearing bank borrowings amounted to approximately RMB195.1 million in aggregate, and the gearing ratio which is measured by the net borrowings over the total assets is 10.5% (2017: 6.9%).

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

As at 31 December 2018, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Non-current Assets

As at 31 December 2018, the total non-current assets of the Group amounted to approximately RMB1,199.4 million (2017: approximately RMB948.8 million). The increase was mainly due to the increase of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income amounted to approximately RMB147.9 million and RMB100.4 million which were partly reclassified from available for sale investments under IFRS 9 amounted to approximately RMB93.9 million.

The increase was also due to the increase in goodwill which related to the acquisition of 51% equity interest in Mu77, increase in investment in associates and investment properties amounted to approximately RMB53.4 million, RMB46.6 million and RMB18.0 million respectively. Which were partly offset by the decrease of prepayment for acquisition of available for sale investments, intangible assets and property, plant and equipment amounted to approximately RMB8.1 million, RMB7.4 million and RMB5.2 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2018, the total current assets of the Group amounted to approximately RMB656.4 million (2017: approximately RMB750.7 million). The decrease was mainly due to the decrease of cash and cash equivalents and available-for-sales investments amounted to RMB234.6 million and RMB32.3 million, respectively, which were partly offset by the increase of restricted cash balances and pledged deposits, inventories in relation to web drama production and financial assets at fair value through profit or loss amounted to approximately RMB141.0 million, RMB15.8 million and RMB15.5 million, respectively. Trade receivables amounted to approximately RMB10.1 million (2017: approximately RM14.6 million), and the turnover days of trade receivables was approximately 30 days (2017: approximately 30 days).

As at 31 December 2018, the total current liabilities of the Group amounted to approximately RMB299.4 million (2017: approximately RMB220.7 million). The increase was mainly due to the increase of interest-bearing bank borrowings and other payables and accruals amounted to approximately RMB77.9 million and RMB8.5 million, respectively, which were partly offset by the decrease of trade payables of approximately RMB7.1 million.

Cash Flow

Net cash outflow from operating activities of the Group for the year ended 31 December 2018 was approximately RMB10.9 million, resulted from cash outflow from operations amounted to approximately RMB8.8 million and the tax paid of approximately RMB2.1 million.

Net cash outflow from investing activities of the Group for the year ended 31 December 2018 was approximately RMB287.9 million, resulted from the cash outflow for the increase in restricted cash and pledge deposits, acquisition for the 51% equity interest in Mu77, purchase in shareholdings related to Lanlanlanlan Film & Television and acquisition for financial assets at fair value through profit or loss amounted to approximately RMB141.0 million, RMB72.3 million, RMB71.9 million and RMB43.3 million, respectively, which were partly offset by the decrease in short-term time deposit over three month, decrease in financial assets at fair value through profit or loss and interest received amounted to approximately RMB19.0 million, RMB16.8 million and RMB16.6 million, respectively.

Net cash inflow from financing activities of the Group for the year ended 31 December 2018 was approximately RMB67.3 million, resulted from the receipt of principal of new bank loans amounted to approximately RMB199.6 million which were partly offset by the repayment of principal and interest of the bank loans of approximately RMB123.7 million and RMB8.2 million, respectively.

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

2 USE OF PROCEEDS

On 19 December 2016, the Company entered into a subscription agreement with Ever Novel Holdings Limited ("**Subscriber**") pursuant to which the Subscriber agreed to subscribe for in cash, and the Company agreed to allot and issue 931,800,000 new shares of the Company at a subscription price of HK$0.41 per Share ("**Subscription**"). Completion of the Subscription took place on 20 February 2017. The gross proceeds and net proceeds from the Subscription were approximately HK$382.0 million and HK$380.5 million respectively.

As of December 31, 2018, RMB76,534,500 of the proceeds from the Subscription were utilized. Among which, approximately RMB59,557,500 of the net proceeds from the Subscription were utilized for the acquisition of 51% equity interest in MU77SH, RMB16,977,000 were used for the first payment for the acquisition of MU77HK and controlling MU77SH through implementing a series of VIE agreements and arrangements.

Subsequent to 31 December 2018 and up to the date of this announcement, approximately RMB25,465,500 of the net proceeds from the Subscription were used as the second payment for the acquisition of MU77HK and controlling MU77SH through implementing a series of VIE agreements and arrangements.

As of the date of this announcement, the accumulated amount of RMB102,000,000 of the proceeds from the Subscriptions have been used. As disclosed in the circular of the Company dated 25 January 2017, it was intended that the net proceeds from the Subscription would be utilized for further investment of the Group as and when opportunities arise, with a focus on mobile game industry chain. The Company intends to use the entirety of the proceeds from the Subscription for future acquisition of upstream and downstream mobile game industry chain company(ies). The use of the proceeds of the Subscription is the same as that of the subscription agreement entered by the Group.

On the date of this announcement, the remaining amount of the proceeds from the Subscription was RMB235,204,000. The company has no plans to change the use of the proceeds from the Subscription for the time being. The remaining unutilized proceeds from the Subscription will be used as intended. As at the date of this announcement, the Company has not identified other suitable business or investment opportunities. The Company will continue to use its best endeavors to identify appropriate business opportunities for investment. Currently, the Company placed such unutilized proceeds as short-term interest-bearing deposits in licensed bank in Hong Kong.

3 SIGNIFICANT INVESTMENTS

In 2018, the Group acquired 51% of the voting shares of MU77SH and MU77HK, two unlisted companies based in the PRC and Hong Kong, respectively at total consideration of RMB102,000,000, which principally engaged in mobile game research and development and operation in the PRC and overseas.

(RMB)

	Description of investment	Approximate investment amount as at 31 December 2018	Carrying amount/ fair value as at 31 December 2018	Approximate percentage to the Group's audited total assets as at 31 December 2018	Changes in fair value during the year 2018
1	Beijing Zhangwen	195,098,000	205,022,000	11.0%	NA
2	Lanlanlanlan Film & Television	130,224,000	41,258,000	2.2%	NA
3	Xiamen Mengjia Network Technology Co., Ltd.	20,024,000	84,528,000	4.6%	50,037,000 *Note 1*
4	Qingsong Fund II	20,000,000	97,164,000	5.2%	59,914,000 *Note 2*

Note 1: This financial asset is measured at fair value through other comprehensive income.

Note 2: This financial asset is measured at fair value through profit or loss.

Except as disclosed in this report, on 31 December 2018, the Group had no other significant investments.

4 HUMAN RESOURCES

As at 31 December 2018, the Group employed 164 employees (2017: 167 employees) and the average headcounts of year 2018 was 168 while it was 134 in year 2017. The Group determines the remuneration of its employees based on various factors such as responsibilities, qualifications and years of experience. Total employee costs for the year ended 31 December 2018, including directors' emoluments, amounted to approximately RMB43.3 million, representing an increase of approximately 71.5% as compared with 2017 (2017: approximately RMB25.9 million), which was mainly resulted from the acquisition of Mu77 and the Group's labor adjustment following the business development.

5 MAJOR RISKS AND UNCERTAINTIES

The Group's operating performance, financial position and development prospects may be affected by risks and uncertainties directly or indirectly related to the Group's business. The risk factors listed below may lead to significant differences in the Group's operating performance, financial position and development prospects from expected or past performance. These factors are not comprehensive. In addition to the following, there may be other risks and uncertainties that are not known by the Group or may not be significant at present, but may become significant in the future.

Business Risk

The business of the Group's property investment segment is mainly leasing and property management, which may be affected by fluctuations in market prices of rent and property fees and uncertainty of tenant mobility.

Digital entertainment segment is engaged in game research & development, film & television production and music-based entertainment. Some projects have a long development and production cycle, face fierce competition within the industry and changeable tastes of audiences. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

The Group's investment performance in projects like Beijing Zhangwen, Lanlanlanlan Film & Television is mainly determined by the operation of these invested companies. If the invested companies fail to achieve the expected performance target, it might adversely affect the Group's business.

Policy Risk

In order to carry out kinds of business, the Group must abide by various policies and regulations. Changes in policies and regulations will affect the development of the Group's business, such as the adjustment of the cultural authorities' policies on the application of game page number, and the adjustment of the approval standards of the State General Administration of Press, Publication, Radio, Film and Television on web drama, which may lead to significant changes in operating costs and positions of the Group's business.

Foreign Exchange Risk

On 31 December 2018, HK Dollars and US Dollars in cash and cash equivalents held by the Group were approximately HK$34.0 million and US$28.6 million. The Group's main business is located in China, and most of its revenues and expenditures are settled in RMB. Therefore, the Group may face the risk of foreign currency exchange.

6 EVENTS AFTER THE REPORTING PERIOD

Implement of target profit of Lanlanlanlan Film & Television

On 13 December 2017, Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. (深圳市雲海情天文化傳播有限公司, "**Yunhai Qingtian**"), the Company's wholly owned subsidiary acquired 5% equity interest in Lanlanlanlan Film & Television by way of capital increase ("**Capital Increase**"). On 18 December 2017, Yunhai Qingtian entered into equity transfer agreements and equity transfer supplementary agreements with independent third parties to acquire 5% equity interest in Lanlanlanlan Film & Television (the "**2017 Acquisition**"). On 13 March, 2018, the Group acquired an additional 13.56% equity interest in Lanlanlanlan Film & Television from several independent third parties (the "**2018 Acquisition**"). After the completion of the 2018 acquisition, the Group owned 23.56% of Lanlanlanlan Film & Television.

According to the supplementary agreement on capital increase and equity transfer supplementary agreement for 2017 Acquisitions, Ms. Liu Zewen ("**Founder A**") and Mr. Zhang Jinsheng ("**Founder B**", collectively known as the "**Founders**"), taking the Group as the beneficiary, undertook that the net profit (excluding non-recurring gains or losses, known as "**audited profit**") audited by accounting firms in the financial years ended 31 December, 2017, 2018 and 2019, and shown in the consolidated financial statements of Lanlanlanlan Film & Television and its affiliates (collectively referred to as Lanlanlanlan Group) confirmed by the Group shall be no less than RMB40 million, RMB60 million and RMB90 million respectively ("**target profit**"). If Lanlanlanlan Film & Television fails to achieve 90% of the target profit in any financial year up to 31 December, 2017, 2018 and 2019, the Founders shall compensate the Group with cash ("**cash compensation**") or equity interest of Lanlanlanlan Film & Television ("**equity compensation**").

According to the audited consolidated financial statements of Lanlanlanlan Film & Television for the financial year ended 31 December 2017, the audited profit of Lanlanlanlan Group in 2017 was RMB25,054,105. Since the audited profit in 2017 is less than 90% of the target profit in that year, the Founders shall compensate the Group by cash compensation or equity compensation as chosen by the Group.

On 4 July, 2018, founders of Yunhai Qingtian and Lanlanlanlan Film & Television entered into a performance compensation implementation agreement ("**Compensation Agreement**"). Accordingly, the Founders transfered 5.96% of the total rights and interests of Lanlanlanlan Film & Television to Yunhai Qingtian at the cost of RMB1 yuan (the "**2017 Equity Compensation**"). On 31 December, 2018, the 2017 Equity Compensation was completed. After the completion of 2017 Equity Compensation, the Group owned 29.52% of Lanlanlanlan Film & Television.

According to the audited consolidated financial statements of Lanlanlanlan Film & Television for the financial year ended 31 December 2018, the audited loss of Lanlanlanlan Group in 2018 was RMB65,042,000. Since the audited profit in 2018 was less than 90% of the target profit in that year, the Founders shall compensate the Group by cash compensation or equity compensation as chosen by the Group. Based on the 2017 Capital Increase Supplemental Agreement and 2017 Equity Transfer Supplemental Agreement, the Cash Compensation payable by the Founders and/or the Lanlanlanlan Film & Television would amount to approximately RMB118,790,000.

On 25 March 2019, Yunhai Qingtian, a wholly-owned subsidiary of the Company, issued a notice ("**Exercise Notice**") to the Founders pursuant to which the Group requested the Founders to compensate the Group with Cash Compensation for the nonfulfillment of the performance guarantee for 2018 as mentioned above. By way of the Exercise Notice, the Group also exercised the Equity Purchase Right by requesting the Founders to purchase all of the equity interests in Lanlanlanlan Film & Television as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%) ("**Disposal**").

On the same day, in response to the Exercise Notice, the Founders executed an undertaking letter ("**Undertaking Letter**") in favor of Yunhai Qingtian pursuant to which the Founders have undertaken to the Group to perform its obligations to compensate the Group by way of Cash Compensation and purchase all of the equity interests in Lanlanlanlan Film & Television as transferred to the Group under the 2017 Acquisitions, the 2017 Capital Contribution and the 2018 Acquisitions (i.e. an aggregate of 23.56%).

However, as stated under the Undertaking Letter, in view of serious shortage of fund, the Founders will perform their obligations to compensate the Group with Cash Compensation and purchase all of the equity interests of the Group as mentioned in the Exercise Notice (i.e. an aggregate of 23.56%) within three years from the date of the Undertaking Letter ("**Extension Period**") and will pay the default interest in accordance with the terms and conditions of the 2017 Capital Increase Supplemental Agreement, the 2017 Equity Transfer Supplemental Agreement and the 2018 Equity Transfer Supplemental Agreement. The Founders have also undertaken that all cash dividends received from Lanlanlanlan Film & Television will be used for Cash Compensation or purchasing all of the equity interests in Lanlanlanlan Film & Television as mentioned above.

In anticipation of the non-fulfilment of the target profit for 2018 by Lanlanlanlan Film & Television, the Founders paid an aggregate of RMB5,000,000 to the Group as part of the equity purchase price for the Disposal on 29 January 2019 ("**First Payment**").

Taking into account the First Payment made by the founders and assuming the completion of the Disposal will only take place on the last day of the Extension Period and no payment of consideration is made by the Founders to the Group during the Extension Period, the Group shall be entitled to default interest, in aggregate, of RMB60,545,804 payable by the Founders. On this basis, the maximum consideration for the Disposal, i.e. being the sum of the equity purchase price for the 23.56% equity interest in Lanlanlanlan Film & Television of RMB146,380,434 and the maximum default interest receivable of RMB60,545,804, is RMB206,926,238. The Company is of the view that it is of great uncertainty to recover all of the consideration from the Founders as it mainly depends on the ability of the Lanlanlanlan Film & Television to declare dividends and the financial positions of the Founders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE, net of taxes and surcharges	5	**148,400**	137,631
Cost of services provided		**(80,482)**	(70,948)
Gross profit		**67,918**	66,683
Other income and gains, net	5	**101,791**	66,708
Selling and marketing expenses		**(43,598)**	(27,434)
Administrative expenses		**(56,203)**	(33,737)
Other expenses, net		**(114,790)**	(26,692)
Finance costs		**(8,163)**	(3,808)
Share of profits and losses of associates, net		**(12,723)**	2,440
Share of losses of joint ventures		**–**	(2,049)
PROFIT/(LOSS) BEFORE TAX	6	**(65,768)**	42,111
Income tax expense	7	**(24,780)**	(17,101)
PROFIT/(LOSS) FOR THE YEAR		**(90,548)**	25,010
Attributable to:			
Owners of the Company		**(85,159)**	25,030
Non-controlling interests		**(5,389)**	(20)
		(90,548)	25,010
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB per share)		**(3.16 cents)**	1.0 cent
Diluted (RMB per share)		**(3.16 cents)**	1.0 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(90,548)**	25,010
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**15,836**	(31,936)
Other comprehensive income/(loss) will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(63,831)**	–
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	**28,405**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(35,426)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(19,590)**	(31,936)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(110,138)**	(6,926)
Attributable to:		
Owners of the Company	**(104,749)**	(6,906)
Non-controlling interests	**(5,389)**	(20)
	(110,138)	(6,926)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**144,720**	149,888
Investment properties	*10*	**438,000**	420,000
Prepaid land lease payments		**12,546**	12,869
Goodwill		**53,366**	–
Prepayments		**–**	8,100
Intangible assets		**14,510**	21,927
Investments in associates		**270,054**	223,458
Financial assets at fair value through profit or loss		**163,964**	16,050
Financial assets at fair value through other comprehensive income		**100,382**	–
Available-for-sale investments		**–**	93,944
Deferred tax assets		**1,843**	2,586
Total non-current assets		**1,199,385**	948,822
CURRENT ASSETS			
Network films and dramas under production		**19,116**	3,277
Trade receivables	*11*	**10,082**	14,624
Prepayments, other receivables and other assets		**25,365**	20,647
Financial assets at fair value through profit or loss		**15,796**	332
Available-for-sale investments		**–**	32,272
Restricted cash balances and pledged deposits		**274,533**	133,513
Cash and cash equivalents		**311,475**	546,071
Total current assets		**656,367**	750,736
CURRENT LIABILITIES			
Trade payables	*12*	**19,403**	26,474
Other payables and accruals		**75,775**	67,248
Interest-bearing bank borrowings		**195,058**	117,150
Tax payable		**9,114**	9,788
Total current liabilities		**299,350**	220,660
NET CURRENT ASSETS		**357,017**	530,076

	Note	2018 RMB'000	2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,556,402**	1,478,898
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**116,624**	72,860
Deferred income		**4,070**	6,700
Total non-current liabilities		**120,694**	79,560
Net assets		**1,435,708**	1,399,338
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**22,818**	22,984
Reserves		**1,403,765**	1,376,886
		1,426,583	1,399,870
Non-controlling interests		**9,125**	(532)
Total equity		**1,435,708**	1,399,338

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

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

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

- provision of digital entertainment services
- property investment

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income which have been measured at fair value. These 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements to 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement					IFRS 9 measurement	
		Category	Amount	Re-classification	ECL	Other (Note v)	Amount	Category
	Notes		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	49,944	–	26,515	76,459	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			49,944	–	–		
Available-for-sale investments		AFS[2]	126,216	(126,216)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(49,944)	–	–		
To: Financial assets at fair value through profit or loss	(ii)			(76,272)	–	–		
Trade receivables	(iii)	L&R[3]	14,624	–	(242)	–	14,382	AC[4]
Financial assets included in prepayments, other receivables and other assets	(iii)	L&R	12,518	–	(550)	–	11,968	AC
Financial assets at fair value through profit or loss		FVPL[5]	16,382	76,272	–	19,069	111,723	FVPL
From: Available-for-sale investments	(ii)			76,272	–	–		
Pledged deposits and restricted cash balance in financial institutions		L&R	133,513	–	–	–	133,513	AC

		IAS 39 measurement					IFRS 9 measurement	
		Category	Amount	Re-classification	ECL	Other (Note v)	Amount	Category
	Notes		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Cash and cash equivalents		L&R	546,071	–	–	–	546,071	AC
			849,324	–	(792)	45,584	894,116	
Other assets								
Investments in associates	(iv)		223,458	–	–	97,949	321,407	
Deferred tax assets			2,586	–	–	198	2,784	
			226,044	–	–	98,147	324,191	
			1,075,368	–	(792)	143,731	1,218,307	
Other liabilities								
Deferred tax liabilities			72,860	–	–	11,396	84,256	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

(iii) The Group has remeasured the carrying amount of the trade receivables and financial assets included in prepayments, other receivables and other assets based on the ECL allowance.

(iv) An associate of the Group has elected the option to irrevocably designate its previous available-for-sale equity investment as equity investment at fair value through other comprehensive income and remeasured based on fair value.

(v) "Other" represented remeasurement of equity investments previously measured at cost under IAS 39 and deferred tax.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017 *RMB'000*	Re-measurement *RMB'000*	**ECL allowances under IFRS 9 1 January 2018** ***RMB'000***
Trade receivables	95	242	**337**
Financial assets included in prepayments, other receivables and other assets	–	550	**550**
	95	792	**887**

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	RMB'000
Fair value reserve under IFRS 9 (available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	–
Reversal of impairment losses under IAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	(5,000)
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	26,515
Share of fair value reserve of an associate's remeasurement of its equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	123,293
Deferred tax in relation to the above	(6,629)
Balance as at 1 January 2018 under IFRS 9	138,179
Retained profits	
Balance as at 31 December 2017 under IAS 39	322,290
Reversal of impairment losses under IAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	5,000
Recognition of expected credit losses for trade receivables and financial assets included in prepayments, other receivables and other assets under IFRS 9	(792)
Remeasurement of the equity investments previously measured at cost under IAS 39	19,069
Share the losses of investment in an associate upon remeasurement of its equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(25,344)
Deferred tax in relation to the above	(4,569)
Balance as at 1 January 2018 under IFRS 9	315,654

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for 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. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was not significant to the Group's financial statement. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 and 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 1 January 2018:

		Amounts prepared under		
		IFRS 15	**Previous IFRS**	**Increase/ (decrease)**
	Note	***RMB'000***	***RMB'000***	***RMB'000***
Contract liabilities	*(i)*	**1,737**	**–**	**1,737**
Deferred income		**10,344**	**11,999**	**(1,655)**
Other payables and accruals	*(i)*	**61,867**	**61,949**	**(82)**

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
		IFRS 15	**Previous IFRS**	**Increase/ (decrease)**
	Note	***RMB'000***	***RMB'000***	***RMB'000***
Contract liabilities	*(i)*	**4,894**	**–**	**4,894**
Deferred income		**6,700**	**7,224**	**(524)**
Other payables and accruals	*(i)*	**68,251**	**72,621**	**(4,370)**

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) ***Consideration received from customers in advance***

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables and deferred income. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB1,737,000 from other payables and deferred income to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB4,894,000 was reclassified from other payables and deferred income to contract liabilities in relation to the consideration received from customers in advance.

4. OPERATING SEGMENT INFORMATION

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

(a) the digital entertainment segment engages in the provision of (1) music-based entertainment; (2) game-related services; and (3) film and television production 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/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs and corporate and other unallocated income and expenses are excluded from such measurement.

For the year ended 31 December

	Digital entertainment		Property investment		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment net revenue	**76,654**	73,591	**71,746**	64,040	**148,400**	137,631
Cost of services provided	**(59,553)**	(51,595)	**(20,929)**	(19,353)	**(80,482)**	(70,948)
Gross profit	**17,101**	21,996	**50,817**	44,687	**67,918**	66,683
Segment results	**(140,686)**	(36,062)	**68,817**	94,687	**(71,869)**	58,625
Reconciliation:						
Bank interest income					**15,904**	13,219
Finance costs					**(8,163)**	(3,808)
Corporate and other unallocated income and expenses, net					**(1,640)**	(25,925)
Profit/(loss) before tax					**(65,768)**	42,111
Income tax expense					**(24,780)**	(17,101)
Profit/(loss) for the year					**(90,548)**	25,010
Other segment information						
Depreciation and amortisation						
– operating segments	**9,247**	7,532	**–**	–	**9,247**	7,532
– corporate					**5,448**	5,391
					14,695	12,923
Capital expenditure*	**11,912**	25,261	**–**	1,639	**11,912**	26,900
Fair value gains on investment properties	**–**	–	**18,000**	50,000	**18,000**	50,000
Equity-settled share option expense						
– operating segments	**–**	–	**–**	–	**–**	–
– corporate					**2,012**	2,436
					2,012	2,436
Share of profits and losses of associates	**12,723**	(2,440)	**–**	–	**12,723**	(2,440)
Share of losses of joint ventures	**–**	2,049	**–**	–	**–**	2,049
Impairment losses recognised in the statement of profit or loss	**125,258**	29,020	**–**	–	**125,258**	29,020
Impairment losses reversed in the statement of profit or loss	**(120)**	–	**–**	–	**(120)**	–
Investments in associates	**270,054**	223,458	**–**	–	**270,054**	223,458

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

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) and deferred tax assets of the Group are located outside the PRC.

Information about major customers

During the year ended 31 December 2018, revenue of approximately RMB21,038,000 and RMB18,912,000, respectively, were derived from sales to two largest customers which each contributed 10% or more sales to the Group's revenue.

During the year ended 31 December 2017, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS, NET

As analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Digital entertainment revenue	**77,167**	73,798
Property management services	**17,305**	16,000
Revenue from other sources		
Gross rental income	**57,342**	49,320
	151,814	139,118
Less: Taxes and surcharges	**(3,414)**	(1,487)
Net revenue	**148,400**	137,631

	2018	2017
	RMB'000	*RMB'000*
Other income and gains, net		
Fair value gains on investment properties	**18,000**	50,000
Bank interest income	**15,904**	13,219
Fair value gain on financial assets at fair value through profit or loss	**61,699**	38
Gain on deemed disposal of an investment in an associate	**2,785**	–
Write-off of other payables	**–**	2,511
Foreign exchange differences, net	**1,404**	798
Others	**1,999**	142
	101,791	66,708

6. PROFIT/(LOSS) BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
Depreciation	**8,765**	8,760
Amortisation of intangible assets	**5,607**	3,840
Impairment of goodwill**	**35,040**	–
Minimum lease payments under operating leases	**2,672**	1,480
Amortisation of land lease payments#	**323**	323
Auditor's remuneration	**2,809**	1,880
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	**34,308**	21,447
Staff education fee	**29**	95
Welfare, medical and other expenses	**3,504**	2,092
Contributions to social security plans	**5,424**	2,305
Equity-settled share option expense	**2,012**	2,436
	45,277	28,375
Foreign exchange differences, net***	**(1,404)**	(798)
Impairment of investments in associates**	**76,149**	–
Write-off of a trade receivable**	**3,068**	621
Reversal of impairment of trade receivables**	**(26)**	–
Reversal of impairment of financial assets included in prepayments, other receivables and other assets**	**(94)**	–
Impairment of prepayments*	**3,656**	402
Impairment of intangible assets*	**10,413**	2,734
Write-off of intangible assets*	**–**	867
Mobile and Telecom Charges*	**3,142**	2,741
Game publishing service charges*	**21,288**	27,072
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*	**20,929**	19,353
Loss on disposal of items of property, plant and equipment**	**80**	74
Impairment of investments in joint ventures**	**–**	20,884
Impairment of an available-for-sale investment**	**–**	5,000
Write-off of other payables***	**–**	(2,511)
Write-off of trade payables*	**(4,365)**	(7,938)
Fair value gains on financial assets at fair value through profit or loss***	**(61,699)**	(38)
Government grants##	**(4,567)**	(11,410)
Gain on deemed disposal of an investment in an associate***	**(2,785)**	–

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

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

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

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

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

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profit tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the prior year.

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 charge for the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**72**	–
Underprovision in prior years	**–**	774
Current – PRC		
Charge for the year	**1,262**	3,405
Underprovision/(overprovision) in prior years	**(396)**	17
Deferred	**23,842**	12,905
Total tax charge for the year	**24,780**	17,101

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2018 (2017: Nil).

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

The calculation of the basic loss per share amounts for the year ended 31 December 2018 is based on the loss for the year attributable to ordinary equity holders of the Company of RMB85,159,000 (2017: profit for the year of RMB25,030,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme and treasury shares during the year of 2,691,118,000 (2017: 2,609,659,000).

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2018 in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment had been made to the basis earnings per share amount presented for the year ended 31 December 2017 in respect of a dilution as the Group had no potentially dilutive ordinary share in issue during the year ended 31 December 2017.

10. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
Carrying amount at 1 January	**420,000**	370,000
Fair value gains on investment properties	**18,000**	50,000
Carrying amount at 31 December	**438,000**	420,000

The Group's investment properties were revalued on 31 December 2018 and 2017 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

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

11. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**10,393**	14,719
Impairment	**(311)**	(95)
Carrying amount at 31 December	**10,082**	14,624

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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Billed		
Within 1 month	**22**	279
1 to 2 months	**2,703**	1,130
2 to 3 months	**231**	773
Over 3 months	**1,453**	2,630
	4,409	4,812
Unbilled	**5,673**	9,812
	10,082	14,624

12. TRADE PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**8,195**	12,878
1 to 3 months	**836**	4,254
4 to 6 months	**654**	1,717
Over 6 months	**9,718**	7,625
	19,403	26,474

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

As at 31 December 2018, included in the trade payables are amounts due to an associate of RMB344,000 (2017: RMB344,000) and due to a joint venture of RMB46,000 (2017: RMB46,000), which are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

Shares

	2018	2017
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 (2017: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
2,700,886,628 (2017: 2,720,592,628) ordinary shares of HK$0.01 each	**22,818**	22,984

During the year ended 31 December 2017, the Company repurchased its own ordinary shares of 59,080,000 on the Stock Exchange at an aggregate consideration of HK$27,779,000 equivalent to RMB23,474,000, of which 46,400,000 ordinary shares were cancelled by the Company before 31 December 2017, and the remaining 12,680,000 ordinary shares repurchased had been cancelled during the year ended 31 December 2018. Upon the cancellation of 12,680,000 shares repurchased, the issued share capital of the Company was reduced by the par value of HK$127,000 equivalent to RMB107,000 and the premium paid on the repurchase of these cancelled shares of HK$5,627,000 equivalent to RMB4,744,000, including transaction costs, was deducted from share premium of the Company.

During the year ended 31 December 2018, the Company repurchased its ordinary shares of 7,026,000 on the Stock Exchange at an aggregate consideration of HK$2,913,000 equivalent to RMB2,468,000, and all of the repurchased ordinary shares were then cancelled by the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Company repurchased 7,026,000 shares of its own ordinary shares of the Company at the highest and lowest prices of HK$0.435 and HK$0.395 per share respectively ("**Shares Repurchase**"). The Company conducted the Shares Repurchase because the Board considered that the then value of the Company's shares was consistently undervalued, and the Board believed that the then financial resources of the Company would enable it to conduct the Shares Repurchase while maintaining a solid financial position for the continuation of the Company's business in the financial year.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Code provision A.2.1 in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual.

In the year ended 31 December 2018, the chairman and chief executive officer of the Company are both held by Mr. Liu Xiaosong, the Company did not complied with code provision A.2.1. Considering Mr. Liu Xiaosong has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group, the Board considered that Mr. Liu is able to lead the Board in making business decision for the Group. Therefore, Mr. Liu has had the dual roles of the Chairman and CEO of the Company despite deviation from code provision A.2.1 during the year ended 31 December 2018.

Throughout the year ended 31 December 2018, the Company has applied the principles and complied with all code provisions, and where applicable, the recommended best practices as set out in the CG Code, except for the deviation from code provision A.2.1 as explained above. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and professional standards and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its Own Code on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 December 2018.

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

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") will be held on Friday, 24 May 2019. The notice of the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 May 2019.

AUDIT COMMITTEE

The Audit Committee of the Company, all members of which are independent non-executive Directors with the Chairman Mr. Chan Yiu Kwong having appropriate professional qualifications and experience in financial matters, has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.a8nmg.com), and the Annual Report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2018

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

(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.