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 2016

FINANCIAL HIGHLIGHTS

- Profit for 2016 of the Group amounted to approximately RMB24.1 million, representing an increase of approximately 11.4% as compared with 2015 (2015: RMB21.7 million).

- The profit margin ratio of the Group was approximately 44.4% for 2016, which increased 13.6 percentage point as compared to that of 2015, while it was approximately 30.8% for 2015.

- Revenue of the Group for 2016 amounted to approximately RMB148.5 million, remained at the same level as compared with 2015 (2015: approximately RMB148.4 million).

- Strong balance sheet with cash and bank balance and highly liquid short term assets of approximately RMB489.6 million.

- On 20 February 2017, Ever Novel completed the subscription of the Company's 931,800,000 shares. The gross proceeds from the subscription in cash amounted to approximately HK$382.0 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 2016. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW FOR 2016

In 2016, the Group continued to deeply cultivate the industries of music and game. Through the investment in the internet literature company to increase our Intellectual Property (IP) reserve, the Group has started the setting in the industry chain of pan-entertainment field. From 2011 to 2015, the core business of pan-entertainment field has experienced a lengthy upward trend, with aggregate production value increasing from RMB188.8 billion to RMB422.9 billion and CAGR up to 22.3%[1].

Among the pan-entertainment industry, mobile game industry is a segment with accelerating growth and strong realization. According to the China Mobile Games Industry Research Report 2016 published by iResearch, the mobile game industry in China is expected to maintain growth rate of 20.9% and 13.8% in 2017 and 2018, respectively.

According to the Scale Forecast of China's Music Market and Development Trend of the Industry in 2017 (《2017年中國音樂市場規模預測及行業發展趨勢》) published by the website of China Industries Development Research (中國產業發展研究網), the scale of the core music market, including physical records, digital music, concerts and Internet entertainment, amounted to RMB25.56 billion, and it is expected that the market scale will reach RMB76.28 billion in 2020, representing a CAGR of 25%.

At the present stage, the monthly number of users of Chinese online literature from both PC and mobile side is up to 141,000,000 and 148,000,000[2] respectively. According to the White Book on Digital Reading of China 2015 published by China Association of Audio & Video and Digital Publishing, the annual compound growth rate from 2011 to 2015 is 36%.

In 2016, for pan-entertainment field, the Group has achieved in game business with a stable development and launched "Live 4 LIVE" (「尖叫現場」), a music performance business and formulated our internet literature IP business. Meanwhile, the Guangdong National Music Industry Park – A8 Music Building business achieved a stable development.

Notes:

1. Source: China's Pan-Entertainment Ecosystem Development Report 2016: Self-Growth and Ecosystem Upgrade by TenCentres

2. Source: iUser Tracker "Research of Online Literature of China in 2016"

Prime mobile games publishing platform

In 2016, the overall mobile game industry experienced tremendous changes. On 4 February 2016, The Provisions on the Administration of Online Publishing Services clarified that online games should be regulated as internet publications, "Online Publishing Service Licence" (《網絡出版服務許可證》), the English name is for identification purposes only, issued by related Publication admission department are required for internet game companies. With mandatory regulation that internet games should contain serial numbers in terms of policy aspect, that all internet game publishers are given 3-month lag period while publishing new products. This led to a slowdown in both publishing quantity and pace in the overall mobile game industry in 2016. In order to cater for the changes in both industry and policy, Finger Fun, a game publishing platform of the Company, has undergone comprehensive business integration in 2016.

1. **Precise management**

   Following the increasing maturity in mobile game industry and users becoming more rational, the advertising level of infamous products in the channel for users has also shrunken away and become more dependent on marketing strategy apparently. For the bottom publishing framework of Finger Fun, Finger Fun has established massive fundamental construction and integration from the development of BI information analysis system, rational information prediction and estimation of inputs and outputs to connection of products and the environment. Currently, new BI System (Game data analysis system) of the Group facilitates the assessment of operational direction of products with higher efficiency and integrates recommendations, which allows our operation to cater for users' needs and focus on production integration. A brand new information derivation model helps the marketing budgets become more scientific and revenue estimation more reasonable. This can further reduce the marketing budgets and stabilize our production revenue.

2. **Prime product strategies**

   In 2016, "PaPa Three Kingdoms" (「啪啪三國」) on android platforms has been launched for three years. Eight version updates were introduced during the reporting period. New users are attracted by version update and recurring users with stable marketing, as well as greater exposure. Benefited from precise management and continued long-term publishing strategies, "PaPa Three Kingdoms" (「啪啪三國」) experienced unexpected operating results, with stable number of active users and payment information. Monthly turnover maintains a level of around RMB3 million after publishing for 3 years. Our capability of long-term product operation has also become one of the unique competitiveness of Finger Fun. The product strategic orientation of Finger Fun will be of fine quality, with emphasis on superior specific segment. Drawing experience from publishing products like "PaPa Three Kingdoms" (「啪啪三國」) and other cases, Finger Fun was able to evaluate our fine quality products from more dimensions.

   In 2016, as the products were at lead time, the priority of the Group was steady development. The Group has received a number of awards, such as Mobile Game Billboard, Golden Mouth, Youding, Golden Apple and Golden Play in 2016.

Online and offline music industry chain

In 2016, Beijing Duomi Online Technology Co., Ltd ("**Beijing Duomi**") put a large effort on strengthening the operation of Beijing Duomi platform on one hand, the integration of online and offline music, while strengthening more than 4,000 fans groups have been entered into the "Oops" platform, with 90% coverage of mainstream fans groups in China and more than hundreds of prime fans groups active in the platform. The number of registered users has accumulated to more than 500 million, in which "Oops" platform has been one of the most influential fans platform in China.

On the other hand, the Group continued to reinforce the integration of online music and live music. Beijing Duomi started the musical performance business – Live 4 Live ("**尖叫現場**"), devoting to creating China's most valuable brand of live music performance. As a first scaled brand of musical performance, the Live 4 Live project plans to host 80 musical performances in 2017.

Moreover, in 2016, the strategic cooperation with Migu Culture and Technology Co., Ltd. (「咪咕文化科技有限公司」), "Migu Culture"), a wholly-owned subsidiary of China Mobile Group will be fully initiated by Beijing Duomi to facilitate the development of the Company's business. Beijing Duomi and Migu Music have established a comprehensive corporation in performance market. Leveraging the advantages of "Oops" platform and fans cohesion and feature of vertical users, a full range of synergies are made with Migu Music in various aspects such as performance promotion, advertising and ticket selling, with 50 performance shows in corporation.

Beijing Duomi has finally listed in the National Equities Exchange and Quotations System ("**NEEQ**") (stock abbreviation: 「多 米 股 份」, stock code: 839256) on 31 October 2016, which became the first music-based stock of NEEQ in China. The listing allows to provide a better platform for financing for subsequent developments of Beijing Duomi.

Guangdong National Music Industry Park – A8 Music Building

National Music Industry Park – A8 Music Building is located at prime area of Nanshan District Shenzhen Bay area of Shenzhen, which is next to Shenzhen Software Industrial Park. It is close to Qianhai and Houhai with superior location. The total building area is more than 50,000 square meters which include commercial office, commercial retail and parking slot areas. The property investment of A8 Music Building has been re-designated as the principal business of the Group since the mid-2015. A8 Music Building has generated an overall income of RMB58.5 million in 2016, representing an increase of 11.7% as compared to that of the same period 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 cafe, professional studio, band rehearsal rooms and music education center. A8Live has held about 100 performance activities during 2016 with diversified activity styles such as artists or band performance, concerts, fans meeting, press releases, charitable activities and live broadcast, etc. Artists invited are becoming more international which include Andy Timmons, Grammy Master, Nightwish from Finland

and a number of artists and bands from Hong Kong and Mainland China. Going onwards, celebrities having performances in venues such as LiveHouse will become a trend. Interactive performances within short distance will also become a selling point for LiveHouse to attract audience. Through these activities, the team has accumulated extensive experiences. The enhanced brand will facilitate the subsequent exploration of the operations of LiveHouse and O2O model to a larger extent.

Intellectual property reserve

The Group entered internet literature industry in 2016, which has good profit making business model, and can provide IP reserve from industry upstream for the game business of the Group. A foundation of pan entertainment industry of the Group was set, including IP reserve of the game business development of the Group. In May 2016, the Group acquired 35% equity interests in Beijing Zhangwen Information Technology Co., Ltd. ("**Beijing Zhangwen**") for a consideration of RMB192.5 million. Beijing Zhangwen is mainly engaged in the incubation and operations of IP and provision of online book reading with more than 60,000 exclusive original collections.

Issue of new shares

On 19 December 2016, the Company announced the issuance of 931,800,000 shares through Ever Novel Holdings Limited ("**Ever Novel**") and obtained gross proceeds amounted to approximately HK$382.0 million. The proceeds from the subscription is proposed to be used for further investments of the Group as and when appropriate, which provided adequate capital reserves for outward development of the Group.

BUSINESS OUTLOOK IN 2017

Currently, the national industrial policies have provided cultural strategies, such as supports, incentives and protection on pan-entertainment industry. Pan-entertainment industry has been under a rapid developing in 2015 and reach the golden age in the coming 20 years, and achieved gross output value of RMB415.5 billion in 2016. This number is expected to surpass RMB480 billion in 2017, with anticipated increase rate at more than 15%.[1] The Group has reserved a large number of music, literature and game resources in pan-entertainment area and starting from 2017, we will enter pan-entertainment industry and continue to develop our competitive IP. In 2017, the Group will focus on the following developments:

1. Continuously developing internet literature business with increasing number of premium literature resources as the foundation for our development of film and television projects. The Group will build its own film and television company in 2017, starting IP incubation for the new generations with the majority of the 90s.

Note 1: Source from China Pan-Entertainment Industry White Paper in 2017 issued by MIIT.

2. Continuously focusing on long-term prime product strategy and building publising platform for prime games, as well as the newly-incubated IP by the film and television company under the Group and arrangement of game development and publishing.

3. Strongly developing Live4LIVE, a performance IP for new generations that is performed by interaction and promotion between offline performace and online fans engagement. It is planned to organize more than 80 performance shows across the PRC and gradually build up an entertainment brand for the new generations.

4. Deeply cultivate the business model of culture industry park, Guangdong National Music Industry Park, to create more content brands.

5. Actively seeking pan-entertainment investment opportunities from aboard and in the PRC, to accelerate the development of the Company through external expansion.

In 2017, some major business segment strategies of the Group are as follows:

Prime games publishing platform

Following the popularity in 2014, mobile game market began its rational growth. Operating costs maintain an ongoing increase along with the research and development. We will deeper excavate users' values and upgrade game quality. Precise management has become the main development approach for mobile game publishers at the current stage. Finger Fun will continue to maintain the current segmented prime games publishing strategy, while exploring a new "Blue Ocean Area Prime product" approach for game industry. For market development, Finger Fun will adjust the cross-resource integration of the Group under the setting of pan-entertainment in future.

Strategies and setting in product level

1. Deep cultivation of IP customization

Leveraging the prime IP resources from Beijing Zhangwen, we will strive to seek appropriate developers to conduct a deep cultivation of IP customization approach. After the confirmation of prime and highly-efficient developers and entering into IP corporations, we are able to efficiently prevent IP hoarding and inappropriate IP development.

2. Fragmentation of precise products and Blue Ocean Area Lines

It has become more imminent and strong for the needs of precise products in the prevailing market. In line with the philosophy of "putting quality before quantity", as well as the preference of AB-typed product strategy, Finger Fun will control the quantity and increase the quality with efficiency. A-typed products are relatively scarce with higher quality according to game ranking standards. While making decision for A-typed products, the Company will also select a B-typed product for prevention of any vacancy slots.

For the aspect of product strategy, we maintain strategies of "fragmentation of precise products" and "Blue Ocean Area Lines", that "fragmentation of precise products" will be categorized with more detailed fragments as the starting point with various innovational aspects, including drawing style, aesthetic style and gameplay. "Blue Ocean Area Lines" are categorized with products of strong interaction in pan-gaming field and the sectors not yet accessed by other large developers as our "new product line for seizing the opportunities to accelerate the growth", for example, the segmentation of interaction and gaming in The Werewolves is not distinct, but it can be utilized as our new precise product line for growth accelerating currently, in order to achieve in advance which is not formulated by other game developers.

3. ***Setting in resource level and integration strategies***

Various resources of the Group, such as entertainment, literature IP and music, etc are capable of contributing stimulation and influences on publishing ecosystem in game publishing area. Entertainment resources can help generate more user number in business development of channeling resources, while literature IP can cultivate deep cooperations in aspect of research and development. And overall pan-entertainment resources can accelerate game promotion and publishing.

Online and offline music industry chain

For Beijing Duomi, efforts will be continued to devote to commencing the music performance business. It is planned to have over 80 serial music concerts held in 2017, to strive for building up the first brand of music performance in China. We will continue to reinforce the operations of "Oops" platform and Duomi Music platform while strengthening the commercial model of "Oops" fans economic platform with the connection of Duomi Music platform and "Oops" platform. We will strive to enter into a leading position in the industry with drivers of online music, offline performance, membership and fans economy. In the meantime, we will establish a deeper and more comprehensive corporation with Migu Culture in aspects of capital and business operation.

Guangdong National Music Industry Park – A8 Music Building

In 2017, the Group will continue to explore the performance business of "A8Live", enhance the brand promotion and strengthen our influence in the industry. A8Live is planned to launch cooperations with giant performance brands, such as Sony, Letv, HipHop Festival and iQiyi, and continue to introduce high-quality performances for enriching the performance contents. In 2017, A8Live is planned to increase the performance shows from 100 in 2016 to 120. Through upgrading the performance contents and increasing the numbers of performance shows, we can accelerate the revenue from performance shows.

In 2017, as the auxiliary facilities in the regions where the building is located are becoming mature, and the traffic is increasingly driven by the moving-in of a large number of renowned enterprises, it is expected that the further increase of rental income of the building will remain stable. At the same time, the Group will also continue to enhance the property management level of the building and to provide better services to our tenants in order to contribute a consistent and stable cash flow for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and profit attributable to owners of the Company

For the year ended 31 December 2016, the revenue of the Group (excluding business tax) amounted to approximately RMB148.5 million, remained at the same level as compared with 2015 (2015: approximately RMB148.4 million).

Digital entertainment services

For the year ended 31 December 2016, the revenue of digital entertainment services of the Group amounted to approximately RMB90.0 million, representing a decrease of approximately 6.3% as compared with 2015 (2015: approximately RMB96.0 million). The slight decrease was resulted from the further shrunken of the traditional wireless music-based entertainment services following the strategic transformation of the Company to dispose certain traditional wireless value-added business.

Property investment business

For the year ended 31 December 2016, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB58.5 million, representing an increase of approximately 11.7% as compared with 2015 (2015: approximately RMB52.4 million). The increase was mainly due to the increase in occupancy rate and unit price resulted from the high quality property management service.

For the year ended 31 December 2016, the profit attributable to equity holders of the Company amounted to approximately RMB24.1 million (2015: approximately RMB22.0 million), representing an increase of approximately 9.7% as compared with 2015.

Cost of services provided

For the year ended 31 December 2016, cost of services provided by the Group amounted to approximately RMB81.4 million, representing a decrease of approximately 18.5% as compared with 2015 (2015: approximately RMB99.8 million).

Digital entertainment services

For the year ended 31 December 2016, the cost of services provided of digital entertainment services amounted to approximately RMB64.2 million, decreased by approximately 24.5% as compared with 2015 (2015: approximately RMB85.0 million). It mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as music copyrights, 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 48.6% for the year ended 31 December 2016 (2015: approximately 42.0%), while revenue shared with business alliances averaged at approximately 16.0% of total digital entertainment services revenue for the year ended 31 December 2016 (2015: approximately 24.0%).

Property investment business

For the year ended 31 December 2016, the cost of services provided of property investment business amounted to approximately RMB17.2 million, increased by approximately 15.6% as compared with 2015 (2015: approximately RMB14.8 million). It mainly comprises employee's compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the year ended 31 December 2016, the gross profit of the Group amounted to approximately RMB65.9 million, representing an increase of approximately 44.1% as compared with 2015 (2015: approximately RMB45.7 million). The overall gross margin ratio of the Group (which is calculated based on gross revenue divided by gross profit) was approximately 44.4%, as compared with approximately 30.8% for the year ended 31 December 2015. The increase of gross profit margin ratio was mainly resulted from the increase in contribution of digital entertainment services.

Other income and gains, net

For the year ended 31 December 2016, the other income and gains of the Group were approximately RMB33.9 million, representing a significant decrease of approximately 73.0% as compared with a net gain of approximately RMB125.6 million for the year ended 31 December 2015.

The decrease was mainly due to the decrease of gain on redemption of convertible notes, imputed interest income generated from the preferred shares and convertible notes and fair value gains on investment properties amounted to approximately RMB53.7 million, RMB19.6 million and RMB18.0 million, respectively.

Selling and marketing expenses

For the year ended 31 December 2016, the selling and marketing expenses of the Group amounted to approximately RMB13.8 million, representing a decrease of approximately 75.3% as compared with 2015 and approximately 15.3% of the digital entertainment services revenue (2015: approximately RMB55.9 million, representing approximately 58.3% of digital entertainment services revenue). The decrease in selling and marketing expenses and its ratio to the related revenue were mainly due to the decrease in marketing and promotion expenses amounted to approximately RMB38.4 million for the promotion activities for various mobile games.

Administrative expenses

For the year ended 31 December 2016, the administrative expenses of the Group amounted to approximately RMB31.6 million, representing a decrease of 21.7% as compared with 2015 (2015: approximately RMB40.4 million), which resulted from cost control activities carried out during the year.

Other expenses, net

For the year ended 31 December 2016, the other expenses, net of the Group amounted to approximately RMB80,000, representing a significant decrease of approximately 99.5% as compared with approximately RMB16.0 million in 2015. The decrease was mainly due to the decrease of fair value loss of conversion option embedded in preferred shares and convertible notes amounted to approximately RMB14.7 million.

Share of losses of associates

For the year ended 31 December 2016, the Group shared losses of associates amounted to approximately RMB16.0 million, representing a decrease of approximately 36.4% as compared with approximately RMB25.2 million in 2015, resulting from the decrease of shared losses of Beijing Duomi of approximately RMB16.8 million, which was partly offset by the increase of shared losses of other associates amounted to approximately RMB7.6 million in aggregate.

Income tax

For the year ended 31 December 2016, the income tax expenses of the Group amounted to approximately RMB7.7 million, representing a decrease of approximately 25.7% as compared with approximately RMB10.4 million in 2015, which was mainly due from the decrease of deferred tax liability related to the appreciation of investment properties.

The effective tax rate of the Group was 24.2% in 2016 (2015: approximately 32.4%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 15% and 25% in the respective operating subsidiaries of the Group in 2016.

Liquidity and Financial Resources

As at 31 December 2016, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash, available-for-sale investments and investments at fair value through profit or loss amounted to approximately RMB489.6 million (2015: approximately RMB497.1 million). Among which, approximately RMB246.0 million, or approximately 50.2% was denominated in RMB.

As at 31 December 2016, the Group have short-term interest-bearing bank borrowings amounted to approximately RMB26.9 million in aggregate, and the gearing ratio which is measured by the net borrowings over the total assets is 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 31 December 2016, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Non-current Assets

As at 31 December 2016, the total non-current assets of the Group amounted to approximately RMB661.7 million (2015: approximately RMB642.8 million). The increase was mainly due to the increase of fair value of investment properties of A8 Music Building and increase of available-for-sale investments, which amounted to approximately RMB21.0 million and RMB14.0 million, respectively, which were partly offset by the decrease of investment in joint ventures, intangible assets and conversion option embedded in preference shares of approximately RMB8.4 million, RMB7.3million and RMB6.3 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2016, the total current assets of the Group amounted to approximately RMB706.4 million (2015: approximately RMB635.1 million). The increase was mainly due to the increase of non-current asset held for sale which related to the 35% equity interests in Beijing Zhangwen amounted to approximately RMB192.6 million, which was partly offset by the decrease of prepayments, deposits and other receivables amounted to approximately RMB99.3 million resulted from the recovery of the principal and interest of convertible notes of Duomi Music. Trade receivables amounted to approximately RMB8.6 million (2015: approximately RMB23.1 million), and the turnover days of trade receivables was approximately 39 days (2015: approximately 67 days).

As at 31 December 2016, the total current liabilities of the Group amounted to approximately RMB194.2 million (2015: approximately RMB163.9 million). The increase was mainly due to the increase of interest-bearing bank borrowings and other payables and accruals amounted to approximately RMB26.9 million and RMB20.4 million, respectively, which were partly offset by the decrease of deferred income and trade payables of approximately RMB9.1 million and RMB8.4 million, respectively.

Cash Flow

Net cash inflow from operating activities of the Group for the year ended 31 December 2016 was approximately RMB37.2 million, resulted from cash inflow generated from operations of approximately RMB38.0 million and the tax paid of approximately RMB0.8 million.

Net cash outflow from investing activities of the Group for the year ended 31 December 2016 was approximately RMB89.1 million, resulted from the cash outflow for acquisition of non-current asset held for sale which related to the 35% of equity interests in Beijing Zhangwen, receipt of refundable collateral security, acquisition of available-for-sale investments, purchases of items of property, plant and equipment and increase in time deposits amounted to approximately RMB90.1 million, RMB60.0 million, RMB35.7 million, RMB8.8 million and RMB30.0 million, respectively, which were partly offset by recovery of principal and interest of convertible notes of Duomi Music, decrease in restricted cash and interest received of approximately RMB100.7 million, RMB33.3 million and RMB11.1 million, respectively.

Net cash inflow from financing activities of the Group for the year ended 31 December 2016 was approximately RMB26.3 million, mainly resulted from received of principal of new bank loans amounted to approximately RMB38.9 million which was partly offset by the repayment of principal and interest of the bank loans of approximately RMB12.6 million.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Human Resources

As at 31 December 2016, the Group employed 100 employees (2015: 160 employees) and the average headcounts of year 2016 was 121 while it was 165 in year 2015. 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 2016, including directors' emoluments, amounted to approximately RMB25.5 million, representing a decrease of approximately 20.1% as compared with 2015 (2015: approximately RMB31.9 million), which was mainly due to the combined effect of labor adjustment in relation to business restructure, and wage growth during 2016.

Events after the reporting period

As at 19 December 2016, Ever Novel and the Company entered into a Subscription Agreement, Ever Novel agreed to subscribe for and the Company agreed to allot and issue 931,800,000 Shares of the Company at the Subscription Price of HK$0.41 per Share. The issued share capital of Ever Novel is 100% beneficially owned by a family trust set up by Mr. Liu Xiaosong ("**Mr. Liu**") for the benefit of his family members. All the conditions precedent to the Subscription were fulfilled and completion took place on 20 February 2017 in accordance with the terms and conditions of the Subscription Agreement. As at the date of this announcement, the total number of Shares that Mr. Liu and his parties acting in concert (including but not limited to Grand Idea) held 1,549,513,398 Shares of the Company, representing approximately 56.0% of the total issued share capital of the Company.

The gross proceeds and the net proceeds from the Subscription will be approximately HK$382.0 million and approximately HK$380.7 million respectively. It is intended that the net proceeds from the Subscription will be utilised as further investment of the Group as and when opportunities arise, with a focus on mobile game industry chain.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE, net of business tax	5	**147,285**	145,578
Cost of services provided		**(81,365)**	(99,841)
Gross profit		**65,920**	45,737
Other income and gains, net	5	**33,871**	125,592
Selling and marketing expenses		**(13,796)**	(55,939)
Administrative expenses		**(31,598)**	(40,352)
Other expenses, net		**(80)**	(16,024)
Finance costs	7	**(618)**	–
Share of losses of associates		**(16,041)**	(25,212)
Share of losses of joint ventures		**(5,796)**	(1,733)
PROFIT BEFORE TAX	6	**31,862**	32,069
Income tax expense	8	**(7,722)**	(10,394)
PROFIT FOR THE YEAR		**24,140**	21,675
Attributable to:			
Owners of the Company		**24,145**	22,006
Non-controlling interests		**(5)**	(331)
		24,140	21,675
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic (RMB per share)		**1.3 cents**	1.3 cents
Diluted (RMB per share)		**1.3 cents**	1.3 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**153,082**	148,413
Investment properties	11	**370,000**	349,000
Prepaid land lease payments		**13,192**	13,516
Prepayments for acquisition of items of property, plant and equipment		**1,548**	–
Intangible assets		**8,529**	15,831
Investments in associates		**28,414**	27,229
Investments in joint ventures		**22,933**	31,353
Available-for-sale investments		**60,994**	46,994
Deferred tax assets		**2,991**	4,136
Conversion option embedded in preferred shares		**–**	6,309
Total non-current assets		**661,683**	642,781
CURRENT ASSETS			
Trade receivables	12	**8,641**	23,121
Prepayments, deposits and other receivables		**15,510**	114,855
Financial assets at fair value through profit or loss		**326**	342
Available-for-sale investments		**8,700**	–
Restricted cash balances and pledged deposit		**33,664**	66,990
Cash and cash equivalents		**446,906**	429,745
		513,747	635,053
Non-current asset held for sale		**192,604**	–
Total current assets		**706,351**	635,053
CURRENT LIABILITIES			
Trade payables	13	**20,923**	29,305
Other payables and accruals		**129,965**	109,563
Interest-bearing bank borrowings		**26,870**	–
Tax payable		**8,330**	7,771
Deferred income		**8,120**	17,267
Total current liabilities		**194,208**	163,906
NET CURRENT ASSETS		**512,143**	471,147

	Notes	**2016**	2015
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,173,826**	1,113,928
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**60,360**	55,110
Deferred income		**6,058**	9,475
Other payables		**17,500**	–
Total non-current liabilities		**83,918**	64,585
Net assets		**1,089,908**	1,049,343
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**15,123**	15,123
Reserves		**1,075,487**	1,034,917
		1,090,610	1,050,040
Non-controlling interests		**(702)**	(697)
Total equity		**1,089,908**	1,049,343

NOTES TO FINANCIAL INFORMATION
31 December 2016

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

The financial information 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, unlisted financial products recorded in available-for-sale investments and the conversion option embedded in preferred shares which have been measured at fair value. The financial information is 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 2016. 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 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 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisition of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

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 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.

For the year ended 31 December

	Digital entertainment		Property investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment net revenue	**89,919**	95,896	**57,366**	49,682	**147,285**	145,578
Cost of services provided	**(64,208)**	(84,993)	**(17,157)**	(14,848)	**(81,365)**	(99,841)
Gross profit	**25,711**	10,903	**40,209**	34,834	**65,920**	45,737
Segment results	**(14,260)**	(17,693)	**61,210**	75,599	**46,950**	57,906
Reconciliation:						
Bank interest income					**11,101**	9,178
Finance costs					**(618)**	–
Corporate and other unallocated income and expenses, net					**(25,571)**	(35,015)
Profit before tax					**31,862**	32,069
Income tax expense					**(7,722)**	(10,394)
Profit for the year					**24,140**	21,675
Other segment information						
Depreciation and amortisation						
– operating segments	**6,730**	12,607	**–**	–	**6,730**	12,607
– corporate					**4,120**	4,276
					10,850	16,883
Capital expenditure*	**8,050**	25,067	**6,547**	–	**14,597**	25,067
Fair value gains on investment properties	**–**	–	**21,000**	39,000	**21,000**	39,000
Equity-settled share option expense						
– operating segments	**78**	2,169	**–**	–	**78**	2,169
– corporate					**3,622**	2,230
					3,700	4,399

	Digital entertainment		Property investment		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Equity-settled share award expense	**–**	22	**–**	–	**–**	22
Share of losses of associates	**16,041**	25,212	**–**	–	**16,041**	25,212
Share of losses of joint ventures	**5,796**	1,733	**–**	–	**5,796**	1,733
Impairment losses recognised in the statement of profit or loss	**97**	21,744	**–**	–	**97**	21,744
Impairment losses reversed in the statement of profit or loss	**65**	1,615	**–**	–	**65**	1,615
Gain on redemption of convertible notes	**–**	53,705	**–**	–	**–**	53,705
Fair value loss on conversion option embedded in preferred shares	**–**	2,933	**–**	–	**–**	2,933
Fair value loss on conversion option embedded in convertible notes	**–**	11,751	**–**	–	**–**	11,751
Non-current asset held for sale	**192,604**	–	**–**	–	**192,604**	–
Investments in joint ventures	**22,933**	31,353	**–**	–	**22,933**	31,353
Investments in associates	**28,414**	27,229	**–**	–	**28,414**	27,229

* 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) of the Group are located outside the PRC.

Information about major customers

During the year ended 31 December 2016, revenue of approximately RMB21,707,000 was derived from sales to the largest customers, which contributed 10% or more sales to the Group's revenue.

During the year ended 31 December 2015, 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

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

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Digital entertainment		
Game-related revenue	**82,054**	79,401
Music-based entertainment	**7,928**	16,583
Sub-total	**89,982**	95,984
Property investment		
Rental and management fee income	**58,486**	52,371
	148,468	148,355
Less: Business tax	**(1,183)**	(2,777)
Net revenue	**147,285**	145,578
Other income and gains, net		
Fair value gains on investment properties	**21,000**	39,000
Bank interest income	**11,101**	9,178
Imputed interest income	**–**	19,606
Gain on deemed disposal on an investment in an associate	**–**	275
Foreign exchange differences, net	**684**	1,937
Gain on redemption of convertible notes	**–**	53,705
Others	**1,086**	1,891
	33,871	125,592

6. PROFIT BEFORE TAX

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

	Note	**2016** **RMB'000**	2015 RMB'000
Depreciation		**6,761**	6,969
Amortisation of intangible assets		**3,766**	9,592
Amortisation of prepaid land lease payments#		**323**	322
Operating lease rentals in respect of office buildings		**1,261**	1,540
Auditor's remuneration		**1,774**	1,739
Employee benefit expense (including directors' remuneration):			
Wages, salaries and bonuses		**20,600**	24,944
Staff education fee		**106**	310
Welfare, medical and other expenses		**2,194**	3,217
Contributions to social security plans		**2,572**	3,439
Equity-settled share option expense		**3,700**	4,399
Equity-settled share award expense		**–**	22
		29,172	36,331
Write-back of impairment of trade receivables**	*12*	**(65)**	(1,615)
Impairment of prepayments*		**97**	8,513
Write-off of prepayments*		**2,139**	–
Impairment of intangible assets*		**–**	10,451
Write-off of intangible assets*		**6,492**	1,009
Impairment of goodwill**		**–**	1,515
Mobile and Telecom Charges*		**3,770**	12,125
Game publishing service charges*		**39,990**	31,390
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties*		**17,157**	14,848
Write-off of items of property, plant and equipment**		**211**	–
Loss on disposal of items of property, plant and equipment**		**–**	45
Impairment of an investment in a joint venture**		**–**	1,265
Reversal of trade payables on game licences*		**(9,176)**	(2,521)
Fair value loss on conversion option embedded in preferred shares**		**–**	2,933
Fair value loss on conversion option embedded in convertible notes**		**–**	11,751
Fair value losses on financial assets at fair value through profit or loss**		**16**	101
Government grants##		**(11,172)**	(9,504)

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 and Beijing in relation to Shenzhen and Beijing's government policy. The government grants received have been deducted from the selling and marketing expenses to which they relate. Government grants received for which related expenditure has not been utilised are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

* 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**618**	–

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing rates in the jurisdictions in which the subsidiaries operate.

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

	2016	2015
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**2,129**	2,029
(Overprovision)/underprovision in prior years	**(802)**	457
Deferred	**6,395**	7,908
Total tax charge for the year	**7,722**	10,394

For the years ended 31 December 2016 and 2015, Yunhai Qingtian and Kuaitonglian were entitled to a preferential tax rate of 15% as they were recognised as high technology enterprises for these years.

9. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2016 (2015: Nil).

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

The calculation of the basic earnings per share amounts for the year ended 31 December 2016 is based on the profit for the year attributable to equity holders of the Company of RMB24,145,000 (2015: RMB22,006,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the year of 1,814,893,000 (2015: 1,655,968,000).

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2015 is based on the profit for the year attributable to equity holders of the Company of RMB22,006,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is 1,655,968,000 ordinary shares in issue less shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average of 25,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares and the effect of awarded shares.

11. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
Carrying amount at 1 January	**349,000**	310,000
Fair value gains on investment properties	**21,000**	39,000
Carrying amount at 31 December	**370,000**	349,000

The Group's investment properties were revalued on 31 December 2016 and 2015 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

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

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

12. TRADE RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**8,736**	23,281
Impairment	**(95)**	(160)
	8,641	23,121

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

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

	2016	2015
	RMB'000	*RMB'000*
Billed		
Within 1 month	**445**	431
Over 1 month but less than 2 months	**1,000**	6,264
Over 2 months but less than 3 months	**462**	1,334
Over 3 months but less than 4 months	**409**	674
Over 4 months	**68**	2,026
	2,384	10,729
Unbilled	**6,257**	12,392
	8,641	23,121

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**160**	1,999
Write-back of impairment *(note 6)*	**(65)**	(1,615)
Amount written off as uncollectible	**–**	(224)
At 31 December	**95**	160

An aged analysis of the billed trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**445**	431
Less than 1 month past due	**1,000**	6,264
1 to 2 months past due	**871**	2,008
Over 3 months past due	**68**	2,026
	2,384	10,729

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

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

13. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**1,327**	11,188
1 to 3 months	**1,231**	5,202
4 to 6 months	**618**	1,575
Over 6 months	**17,747**	11,340
	20,923	29,305

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

Included in the trade payables are amounts due to an associate of RMB344,000 (2015: RMB344,000) and a joint venture of RMB21,000 (2015: Nil), which are unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

Shares

	2016	2015
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 (2015: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
1,835,192,628 (2015: 1,835,192,628) ordinary shares of HK$0.01 each	**15,123**	15,123

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

	Notes	**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 2015		1,428,847,128	14,290	537,705	11,914	450,770	462,684
Exercise of share options	*(a)*	577,500	5	540	5	425	430
Placement of new shares	*(b)*	285,768,000	2,857	205,753	2,257	162,493	164,750
Placement of new shares	*(c)*	120,000,000	1,200	67,200	947	53,062	54,009
Share issue expenses		–	–	(4,401)	–	(3,542)	(3,542)
As at 31 December 2015, 1 January 2016 and 31 December 2016		1,835,192,628	18,352	806,797	15,123	663,208	678,331

Notes:

(a) During the prior year, a total of 577,500 share options under the share option scheme were exercised at exercise prices ranging from HK$0.65 to HK$0.69 per share, for a total cash consideration, before expenses, of HK$381,000 (equivalent to RMB301,000).

(b) On 16 April 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 285,768,000 new ordinary shares of the Company at a price of HK$0.73 per share. The placing was completed on 27 April 2015 and the Group raised a total of approximately HK$208.6 million (equivalent to RMB164.8 million), before expenses.

(c) On 13 July 2015, the Company entered into second placing agreement with the Placing Agent pursuant to which, the Placing Agent agreed to procure certain independent placees to subscribe an aggregate of 120,000,000 new ordinary shares of the Company at a price of HK$0.57 per share. The placing was completed on 22 July 2015 and the Group raised a total of approximately HK$68.4 million (equivalent to RMB54.0 million), before expenses.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2016.

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**") 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 2016, 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 2016.

Throughout the year ended 31 December 2016, 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.

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 2016.

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.

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 2016.

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

Hong Kong, 29 March 2017

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

(1) Executive Directors namely Mr. Liu Xiaosong and Mr. Liu Pun Leung; and

(2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Li Feng.