# 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 2017

**FINANCIAL HIGHLIGHTS**

- Profit for 2017 of the Group amounted to approximately RMB25.0 million, representing an increase of approximately 3.6% as compared with 2016 (2016: RMB24.1 million).
- The profit margin ratio of the Group was approximately 47.9% for 2017, which increased 3.5 percentage point as compared to that of 2016, while it was approximately 44.4% for 2016.
- Revenue of the Group for 2017 amounted to approximately RMB139.1 million, representing a decrease of approximately 6.3% as compared with 2016 (2016: approximately RMB148.5 million).
- Strong balance sheet with cash and bank balance and highly liquid short term assets of approximately RMB712.2 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 2017. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

## BUSINESS REVIEW FOR 2017

In 2017, rapid growth remained in the pan-entertainment industry, and the boundaries among various segments of the industry gradually faded away with enhancing cooperation and penetration, enabling the industry chain to develop into a mature stage gradually. Under such a trend, Intellectual Property (IP) is the core resource for the pan-entertainment ecosystem with increasingly manifesting value. With prime IP as the core, the businesses of literatures, comics, films and televisions and games were comprehensively linked up so as to form a chain of content production and perform IP realisation from more dimensions, which has become the key development direction in the pan-entertainment industry.

In 2017, the Group continued to conduct a deep cultivation in the pan-entertainment industry, accelerate the setting in the industry chain of pan-entertainment field and take advantages of the rich and prime IP reserve to associate with the resources in each of the business segments so as to develop and create prime IP contents. The following is a review of the development in various business segments of the Group:

## FILM & TELEVISION PRODUCTION

In April 2017, the Group has set up its wholly-owned subsidiary – Jisu Woniu Film & Television Media (Shenzhen) Co., Limited (極速蝸牛影視傳媒(深圳)有限公司, "**A8 Film & Television**"), aiming at engaging in the business of producing network dramas, videos, films and the like, and linking literatures, films and televisions and games together to foster shared development in the future. In 2017, A8 Film & Television has started to cooperate with a number of well-known scriptwriters and directors, kicking start its production business on short videos and network dramas, etc.

### Suspense-style short video product awarded the Gold Cup of Sound Prize (新聲大獎金杯) issued by the 6th China Culture Industry Capital Forum (中國文化產業資本大會)

The suspense-style miniseries, "Fantasy Apocalypto" (「奇幻啟示錄」), as the first short video content product of A8 Film & Television, have been launched since November 2017. The drama has accumulated over 100 million hits on the internet. "Fantasy Apocalypto" (「奇幻啟示錄」) won the Gold Cup of Sound Prize (新聲大獎金杯) in the 6th China Culture Industry Capital Forum for its innovation in the form of miniseries.

### Winning tender for "Yunteng Scheme" (「雲騰計劃」) of iQIYI

In 2017, A8 Film & Television participated in the "Yunteng Scheme" (「雲騰計劃」) of iQIYI, the network broadcasting platform, and won the tender for the top 10 IP of iQIYI's custom-made network dramas, "Matchmaker of Great Zhou Dynasty" (「大周小冰人」). A8 Film & Television and iQIYI will jointly develop this network drama.

**Cooperation with Beijing Zhangwen on the adaption of the phenomenal literature IP "Life Changing Master" (「改命師」)**

In 2017, A8 Film & Television has signed a licence agreement of film and television adaptation with Beijing Zhangwen Information Technology Co., Ltd. (北京掌文信息技術有限公司, "**Beijing Zhangwen**"), gaining the adaptation rights of film and television of the online literature super IP "Life Changing Master" (「改命師」). Currently, it is working with famous scenarist Yan Kun (閆坤) on the script.

**Investment in Lanlanlanlan Film & Television**

On 13 December 2017, the Group has holding of 5% equity interest 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**") by way of capital increase. On 18 December 2017, the Group entered into equity transfer agreements with independent third parties to acquire 5% equity interest in Lanlanlanlan Film & Television. Upon the completion of the aforementioned transactions, the Group owned 10% equity interests of Lanlanlanlan Film & Television. Lanlanlanlan Film & Television is principally engaged in script writing, sale of script, development and production of script into web series, TV series, cinema movies and web movies and related businesses. Lanlanlanlan Film & Television hired over 100 scriptwriters, which is currently the leading domestic scriptwriters' team, enabling it to substantially shorten the script production cycle in an efficient and effective manner. Besides, it has experience and capability in producing massive network dramas.

## GAME BUSINESS

Online game industry is still the key industry of the pan-entertainment industry, and the important IP realisation channel in the pan-entertainment market. The market size of online game industry has amounted to RMB216.8 billion in 2017 according to the "Online Game Socialization White Paper in China 2017" (「2017 中國網絡游戲社會化分發白皮書」) published by iResearch. Finger Fun, the mobile game publishing platform of the Group, maintains the strategy focusing on prime games with long operation period for the mobile game publishing business. It continues to consolidate the domestic mobile game business, while obtaining the initial success of overseas publishing business. Finger Fun won award of "The Top Enterprise of Overseas Product Operation" (「最佳海外產品運營企業」) of Youding in 2017.

**Stable adjustment of domestic publishing business**

Following the "PaPa Three Kingdoms" (「啪啪三國」), "Werewolf Killers" (「狼人殺」) that published by Finger Fun in 2017 developed as the second stable product. As an evergreen product of the Group, "Papa Three Kingdoms" (「啪啪三國」) still maintained receiving gross recharging receipts of RMB2 to RMB3 million on average per month after operating for four years. Both products effectively ensure the stabilisation of game publishing business of the Group.

In 2017, Finger Fun has signed a variety of prime products such as "Monster Baby 2" (「怪獸寶貝2」) and "Happy Excursion" (「逍遙游」), which further its layout in the mobile game market under the strategy of "socialising prime games". Among the above games, "Monster Baby 2" (「怪獸寶貝2」) won the "Most Anticipated Mobile Game of the Year" (「年度最受期待手游」) title of Golden Bell, and "Happy Excursion" (「逍遙游」) won the "Anticipated Mobile Games of the Year" title of Golden Mouth.

**Initial success in overseas publishing business**

The Group's product "Xiawuyu" (「俠物語」) was launched in Hong Kong, Macau and Taiwan in the second half of 2017 and achieved better player's response and turnover. This product has attained top positions on several free lists, such as the free list of Googleplay, the most popular game list of Googleplay and the free list of Appstore, with the highest position reaching the top 15 of the top paid lists of Googleplay and Appstore. Besides, in 2017, Finger Fun has entered into cooperation with Sega in Japan and signed the agency publication rights in Hong Kong, Macao and Taiwan for the well-known works "Sangokushi Taisen" (「三國志大戰」).

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

A8 Music Building is the National Music Industry Park. It is located in the core area of Shenzhen Bay area in Nanshan District, Shenzhen, next to Shenzhen Software Industrial Park and close to Qianhai and Houhai, and has a superior location. The total gross floor area is more than 50,000 sq.ms which include commercial office, commercial retail and parking lots. In March 2017, A8 Music Building was successfully selected as the Extraordinary Property Management Project of the Year in the property management competition. Through several rounds of onsite inspection and voting by government experts, A8 Music Building won the first place of Nanshan district of Shenzhen with a score up to 98 points. The property investment business of A8 Music Building has been re-designated as the principal business of the Group since the mid-2015. A8 Music Building has generated an overall income of approximately RMB65.3 million in 2017, representing an increase of approximately 11.7% as compared to the same period of last year.

Furthermore, offline live music performance brand A8Live is operated together with the LiveHouse Theater located in the podium of the A8 Music Building, its business functions include live music performance, maker café, professional studio, band rehearsal rooms and music education center. A8Live has held around 144 performance activities in 2017 in diversified activity forms such as artists performance, band shows, concerts, fans meeting, press releases, charitable activities and live broadcasts, etc. Artists being invited to A8Live are becoming more international, including well-known artists and bands such as Declan Galbraith, Wuwuhui, Huang Ling, Dingdang, Huang Qianshan and the like. Going forward, celebrities having performances in venues such as LiveHouse will become a trend. Interactive performance with short distance will be a selling point for LiveHouse to attract audience. By handling such performance activities, A8Live team has accumulated extensive experience. The enhanced brand will facilitate the subsequent exploration of the operation of LiveHouse to a larger extent.

## ONLINE LITERATURES – BEIJING ZHANGWEN

Beijing Zhangwen operates Heiyan.com (黑岩網), the leading platform for suspense-style literatures in China, 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 Shao Nian Meng (少年夢), the platform targeting ACG readers. 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, network dramas, television dramas and movies, cartoons, comics and audio works. In 2017, Beijing Zhangwen's business of online literature platform achieved rapid growth.

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

By the end of 2017, the number of users of Beijing Zhangwen's own platform exceeded 20 million, representing an increase of more than 50% over the previous year. The quality content of its own platforms has continued to expand and cumulatively published more than 80,000 works, representing an increase of approximately 30% over the previous year in terms of number of works.

In 2017, Beijing Zhangwen continued to expand its new distribution channels on the basis of original distribution channels, such as China Literature Limited, Alibaba Literature, iReader Literature, Books Chaser, Zongheng Literature, Baidu Cloud, Migu Culture and so on, for its third-party distribution business. Beijing Zhangwen became the first cooperative partner in content payment of Toutiao.com (今日頭條).

**Breakthrough in content licensing business**

In terms of film and television licencing, Beijing Zhangwen had accumulated cooperation in over 60 films and televisions IP so far. In 2017, the three works of Beijing Zhangwen, including "Stingy Princess" (「摳門王妃」), "Jingyi Yangming" (「錦衣楊明」), a Grade A works, and "Grass in the mist-covered waters" (「草色煙波裏」) were all selected for iQIYI's Yunteng scheme (雲騰計劃). At the same time, Beijing Zhangwen joined hands with various platforms and film and television companies in 2017. For instance, it created ancient network drama "Shaoqing's pet life in Dali Temple" (「大理寺少卿的寵物生活」) with tv.sohu.com (搜狐視頻), and licensed rights for the film and television adaptation of the phenomenal IP works "Master in tomb raiding" (「摸金天師」) to Tianjin Tianying Film & Television Culture Media Co. Ltd. (天津天影影視文化傳媒有限公司).

In 2017, Beijing Zhangwen made a major breakthrough in the licensing of audio works with external licensing of about 20,000 hours. Among them, the video view amount of "Fortune Teller" (「麻衣神算子」) ranked No.1 of Ximalaya FM of all paid works. In the Lazy Audiobook (懶人聽書) platform, the video view amount of "Looting Heaven's Luck" (「劫天運」) and "Ghost Agent" (「陰陽代理人」) both ranked among the top ten. At the same time, there were also three works which entered into the top ten of Oxygen Audiobook (氧氣聽書) platform.

**BASED ON ONLINE AND OFFLINE MUSIC INDUSTRY CHAIN**

In 2017, the Group's Beijing Duomi Online Technology Co., Ltd. (「**Beijing Duomi**」) and 咪咕音樂有限公司 jointly organized, and co-presented with (「Live 4 LIVE尖叫現場」), a fresh brand in show business under iQIYI.com, in collaboration with many top-notch singers from overseas and domestic, a total of 41 high-quality exclusive concerts, taking place in ten popular cities of culture and lifestyle in China, including Guangzhou and Shenzhen. As at 31 December 2017, the total airplay of the online videos of Live 4 LIVE amounted to nearly 200 million times, with an accumulated rate of over 1 billion click in Weibo.

## BUSINESS OUTLOOK FOR 2018

In 2018, the Group will continue to strengthen the linkage among the existing segments in the pan-entertainment industry chain, create prime IP and promote the circulation and interaction of IP among different segments within the Group, and further explore the value of customers to meet their needs.

## FILM & TELEVISION PRODUCTION

In 2008, the film and television business of A8 Group will primarily focus on the following development directions:

Firstly, with the premium literature IP of Beijing Zhangwen as the starting point, it will develop the film and television projects with focus on suspense themes.

Secondly, it will strengthen its development of network dramas and films by giving full play to the advantages of the scriptwriting of Lanlanlanlan Film & Television.

Thirdly, by rounding up the successful experience of short video in 2017, A8 Film & Television will maintain its cooperation with external resources by focusing on the creation of miniseries theater, and conduct the mass production of miniseries through a variety of channels such as iQIYI, Miaopai ("秒拍") and Kuaishou ("快手") by capitalising on the miniseries theater platform.

## GAME PUBLISHING BUSINESS

In 2018, after the acquisition of the game research and development companies, being Shanghai Mu77 Network Technology Co., Ltd. and Mu77 Network Technology Hongkong Limited ("**MU77**"), the major development strategies for the game business of the Group would be as follows:

Firstly, it will develop towards research and operation integration based on the combination of R&D advantages of MU77 and the publishing experience of Finger Fun.

Secondly, it will mainly launch prime games with more socialising nature and outstanding long-term retention data, with adherence to the principle of “socialising prime games”. It will also focus on the launching of prime products with vivid IP artistic expression or verification by domestic data under the strong cooperation between R&D and operation.

Thirdly, the Group will continue to develop the overseas game market.

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

In 2018, along with the Houhai area in Shenzhen becoming increasingly mature, a number of famous companies will move into A8 Music Building, which will further increase the popularity of A8 Music Building and bring the expected stable increase of rent income. In the meanwhile, the Group will continue to enhance the property management level and provide better service for clients, in order to receive consistent and stable income.

In 2018, 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 2018, Beijing Zhangwen will have high-level participation in the production of films and televisions by working together with the internal and external resources of the Group, such as A8 Film & Television, and Lanlanlanlan Film & Television, to create network drama series and network films. It will enhance the research and development of the new themes and contents and strive to create new games and new fantasy themes while continuing to consolidate its dominance in the suspense themes. In 2018, Beijing Zhangwen will also vigorously develop 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 (黑岩網).

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue and profit attributable to owners of the Company

For the year ended 31 December 2017, the revenue of the Group (excluding business tax and surcharges) amounted to approximately RMB139.1 million, representing a decrease of 6.3% as compared with 2016 (2016: approximately RMB148.5 million).

***Digital entertainment services***

For the year ended 31 December 2017, the revenue of digital entertainment services of the Group amounted to approximately RMB73.8 million, representing a decrease of approximately 18.0% as compared with 2016 (2016: approximately RMB90.0 million). The decrease was mainly resulted from the decline of revenue in the game related services amounted to approximately RMB14.1 million.

***Property investment business***

For the year ended 31 December 2017, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB65.3 million, representing an increase of approximately 11.7% as compared with 2016 (2016: approximately RMB58.5 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 2017, the profit attributable to equity holders of the Company amounted to approximately RMB25.0 million (2016: approximately RMB24.1 million), representing a slight increase of approximately 3.7% as compared with 2016.

***Cost of services provided***

For the year ended 31 December 2017, cost of services provided by the Group amounted to approximately RMB70.9 million, representing a decrease of approximately 12.8% as compared with 2016 (2016: approximately RMB81.4 million).

*Digital entertainment services*

For the year ended 31 December 2017, the cost of services provided of digital entertainment services amounted to approximately RMB51.6 million, decreased by approximately 19.6% as compared with 2016 (2016: approximately RMB64.2 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 40.2% for the year ended 31 December 2017 (2016: approximately 48.6%), while revenue shared with business alliances averaged at approximately 12.1% of total digital entertainment services revenue for the year ended 31 December 2017 (2016: approximately 16.0%).

*Property investment business*

For the year ended 31 December 2017, the cost of services provided of property investment business amounted to approximately RMB19.4 million, increased by approximately 12.8% as compared with 2016 (2016: approximately RMB17.2 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 2017, the gross profit of the Group amounted to approximately RMB66.7 million, representing a slight increase of approximately 1.2% as compared with 2016 (2016: approximately RMB65.9 million). The overall gross margin ratio of the Group (which is calculated based on gross revenue divided by gross profit) was approximately 47.9%, as compared with approximately 44.4% for the year ended 31 December 2016. The increase of gross profit margin ratio was resulted from the increased profit ratio of digital entertainment services which mainly due to the decline in revenue share with distribution channels for the current year.

**Other income and gains, net**

For the year ended 31 December 2017, the other income and gains of the Group were approximately RMB66.7 million, representing a significant increase of approximately 96.9% as compared with a net gain of approximately RMB33.9 million for the year ended 31 December 2016.

The increase was mainly due to the increase of fair value gains on investment properties, write-off of other payables and bank interest income amounted to approximately RMB29.0 million, RMB2.5 million and RMB2.1 million, respectively.

**Selling and marketing expenses**

For the year ended 31 December 2017, the selling and marketing expenses of the Group amounted to approximately RMB27.4 million, representing a significant increase of approximately 98.9% as compared with 2016 and approximately 37.2% of the digital entertainment services revenue (2016: approximately RMB13.8 million, representing approximately 15.3% 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 RMB13.7 million arising from promotion activities for various mobile games during their launch stage.

**Administrative expenses**

For the year ended 31 December 2017, the administrative expenses of the Group amounted to approximately RMB33.7 million, representing an increase of 6.8% as compared with 2016 (2016: approximately RMB31.6 million).

**Other expenses, net**

For the year ended 31 December 2017, the other expenses, net of the Group amounted to approximately RMB26.7million representing a significant increase by approximately RMB26.6 million as compared with approximately RMB80,000 in 2016. The increase was mainly due to the increase of impairment of joint ventures and an available-for-sale investment amounted to approximately RMB25.9 million.

**Share of profits/(losses) of associates**

For the year ended 31 December 2017, the Group shared profits of associates amounted to approximately RMB2.4 million, compared to share of losses approximately RMB16.0 million in 2016. The change was mainly due to the decrease of shared losses of Beijing Duomi and other associates amounted to approximately RMB6.3 million and RMB3.9 million, respectively. In addition, the Group shared profits of some associates amounted to approximately RMB3.8 million in aggregate as compared to share of losses of approximately RMB4.4 million in 2016.

**Income tax**

For the year ended 31 December 2017, the income tax expense of the Group amounted to approximately RMB17.1 million, representing an increase of approximately 121.5% as compared with approximately RMB7.7 million in 2016, which was mainly due to the increase of deferred tax liability related to the appreciation of investment properties.

The effective tax rate of the Group was 40.6% in 2017 (2016: approximately 24.2%). 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 2017.

**Liquidity and Financial Resources**

As at 31 December 2017, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash and pledge deposits, available-for-sale investments and investments at fair value through profit or loss amounted to approximately RMB712.2 million (2016: approximately RMB489.6 million). Among which, approximately RMB256.3 million, or approximately 36.0% was denominated in RMB.

As at 31 December 2017, the Group has short-term interest-bearing bank borrowings amounted to approximately RMB117.2 million in aggregate, and the gearing ratio which is measured by the net borrowings over the total assets is 6.9% (2016: 2.0%).

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

**Non-current Assets**

As at 31 December 2017, the total non-current assets of the Group amounted to approximately RMB948.8 million (2016: approximately RMB661.7 million). The increase was mainly due to the increase of investments in associates amounted to approximately RMB195.0 million, which was mainly resulted from the reclassification from a non-current asset held for sale related to 35% equity interest in Beijing Zhangwen. In the current year, with management's strategic consideration of the Group's future direction to further expand its footprint in pan-entertainment field, management changed the investment strategy to retain Beijing Zhangwen as a strategic investment and does not intend to dispose it in the near future.

The increase was also due to the increase of fair value of investment properties of A8 Music Building, available-for-sale investments, investment at fair value through profit or loss and intangible assets amounted to approximately RMB50.0 million, RMB33.0 million, RMB16.1 million and RMB13.4 million, respectively, which were partly offset by the decrease of investment in joint ventures approximately RMB22.9 million.

**Current Assets and Current Liabilities**

As at 31 December 2017, the total current assets of the Group amounted to approximately RMB750.7 million (2016: approximately RMB706.4 million). The increase was mainly due to the increase of restricted cash balances and pledged deposits, cash and cash equivalents and available-for-sales investments amounted to RMB99.8 million, RMB99.2 million and RMB23.6 million, respectively, which was partly offset by the decrease of a non-current asset held for sale reclassified to an investment in an associate amounted to approximately RMB192.6 million as mentioned above. Trade receivables amounted to approximately RMB14.6 million (2016: approximately RMB8.6 million), and the turnover days of trade receivables was approximately 30 days (2016: approximately 39 days).

As at 31 December 2017, the total current liabilities of the Group amounted to approximately RMB220.7 million (2016: approximately RMB194.2 million). The increase was mainly due to the increase of interest-bearing bank borrowings and trade payables amounted to approximately RMB90.3 million and RMB5.6 million, respectively, which were partly offset by the decrease of other payables and accruals of approximately RMB68.0 million mainly resulted from the payment for acquisition of 35% equity interest in Beijing Zhangwen.

**Cash Flow**

Net cash inflow from operating activities of the Group for the year ended 31 December 2017 was approximately RMB11.7 million, resulted from cash inflow from operations amounted to approximately RMB14.5 million and the tax paid of approximately RMB2.7 million.

Net cash outflow from investing activities of the Group for the year ended 31 December 2017 was approximately RMB275.0 million, resulted from the cash outflow for the increase in restricted cash and pledge deposits, payment of acquisition for the 35% of equity interest in Beijing Zhangwen and acquisition for available-for-sale investments amounted to approximately RMB99.8 million, RMB87.5 million and RMB61.5 million, respectively. It was also due to the purchase of investments at fair value through profit or loss, acquisition of intangible assets, purchases of items of property, plant and equipment and prepayment for acquisition of an available-for-sale investment, amounted to approximately RMB16.1 million, RMB11.1 million, RMB10.1 million and RMB8.1 million, respectively, which were partly offset by interest received and decrease in time deposits of approximately RMB13.2 million and RMB6.0 million, respectively.

Net cash inflow from financing activities of the Group for the year ended 31 December 2017 was approximately RMB400.4 million, resulted from the net proceeds from issuing new shares completed on 20 February 2017 amounted to approximately RMB337.2 million and receipt of principal of new bank loans amounted to approximately RMB137.2 million which were partly offset by the repayment of principal and interest of the bank loans and repurchased shares of approximately RMB50.7 million and RMB23.5 million, respectively.

**Contingent Liabilities**

As at 31 December 2017, the Group did not have any material contingent liabilities.

**Human Resources**

As at 31 December 2017, the Group employed 167 employees (2016: 100 employees) and the average headcounts of year 2017 was 134 while it was 121 in year 2016. 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 2017, including directors' emoluments, amounted to approximately RMB25.9 million, representing a slight increase of approximately 1.6% as compared with 2016 (2016: approximately RMB25.5 million), which was mainly due to the combined effect of labor adjustment in relation to business restructure, and wage growth during 2017.

**Events after the reporting period**

On 12 February 2018, the Group entered into investment agreement to acquire an aggregate of 51% equity interest in MU77 at aggregate consideration of RMB102.0 million. MU77 is principally engaged in mobile game research and development and operation in the PRC and overseas.

On 13 March 2018, the Group entered into equity transfer agreements with independent third parties to further acquire 13.56% equity interest in Lanlanlanlan Film & Television at an aggregate consideration of RMB73.2 million. Immediately after completion of this transaction, the Group owns 23.56% equity interests of Lanlanlanlan Film & Television. Lanlanlanlan Film & Television is principally engaged in script writing, sale of script, development and production of script into web series, TV series, cinema movies and web movies and its sale and related businesses.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2017*

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| REVENUE, net of business tax and surcharges | 5 | **137,631** | 147,285 |
| Cost of services provided | | **(70,948)** | (81,365) |
| Gross profit | | **66,683** | 65,920 |
| Other income and gains, net | 5 | **66,708** | 33,871 |
| Selling and marketing expenses | | **(27,434)** | (13,796) |
| Administrative expenses | | **(33,737)** | (31,598) |
| Other expenses, net | | **(26,692)** | (80) |
| Finance costs | 7 | **(3,808)** | (618) |
| Share of profits and losses of associates | | **2,440** | (16,041) |
| Share of losses of joint ventures | | **(2,049)** | (5,796) |
| PROFIT BEFORE TAX | 6 | **42,111** | 31,862 |
| Income tax expense | 8 | **(17,101)** | (7,722) |
| PROFIT FOR THE YEAR | | **25,010** | 24,140 |
| Attributable to: | | | |
| Owners of the Company | | **25,030** | 24,145 |
| Non-controlling interests | | **(20)** | (5) |
| | | **25,010** | 24,140 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 10 | | |
| Basic (RMB per share) | | **1.0 cent** | 1.3 cents |
| Diluted (RMB per share) | | **1.0 cent** | 1.3 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2017*

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PROFIT FOR THE YEAR | **25,010** | 24,140 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements | **(31,936)** | 12,725 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | **(6,926)** | 36,865 |
| Attributable to: | | |
| Owners of the Company | **(6,906)** | 36,870 |
| Non-controlling interests | **(20)** | (5) |
| | **(6,926)** | 36,865 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2017*

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **149,888** | 153,082 |
| Investment properties | *11* | **420,000** | 370,000 |
| Prepaid land lease payments | | **12,869** | 13,192 |
| Prepayments | | **8,100** | 1,548 |
| Intangible assets | | **21,927** | 8,529 |
| Investments in associates | | **223,458** | 28,414 |
| Investments in joint ventures | | **–** | 22,933 |
| Financial assets at fair value through profit or loss | | **16,050** | – |
| Available-for-sale investments | | **93,944** | 60,994 |
| Deferred tax assets | | **2,586** | 2,991 |
| Total non-current assets | | **948,822** | 661,683 |
| CURRENT ASSETS | | | |
| Network films and dramas under production | | **3,277** | – |
| Trade receivables | *12* | **14,624** | 8,641 |
| Prepayments, deposits and other receivables | | **20,647** | 15,510 |
| Financial assets at fair value through profit or loss | | **332** | 326 |
| Available-for-sale investments | | **32,272** | 8,700 |
| Restricted cash balances and pledged deposits | | **133,513** | 33,664 |
| Cash and cash equivalents | | **546,071** | 446,906 |
| | | **750,736** | 513,747 |
| Non-current asset held for sale | | **–** | 192,604 |
| Total current assets | | **750,736** | 706,351 |
| CURRENT LIABILITIES | | | |
| Trade payables | *13* | **26,474** | 20,923 |
| Other payables and accruals | | **61,949** | 129,965 |
| Interest-bearing bank borrowings | | **117,150** | 26,870 |
| Tax payable | | **9,788** | 8,330 |
| Deferred income | | **5,299** | 8,120 |
| Total current liabilities | | **220,660** | 194,208 |
| NET CURRENT ASSETS | | **530,076** | 512,143 |

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,478,898** | 1,173,826 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | **72,860** | 60,360 |
| Deferred income | | **6,700** | 6,058 |
| Other payables | | **–** | 17,500 |
| Total non-current liabilities | | **79,560** | 83,918 |
| Net assets | | **1,399,338** | 1,089,908 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | *14* | **22,984** | 15,123 |
| Reserves | | **1,376,886** | 1,075,487 |
| | | **1,399,870** | 1,090,610 |
| **Non-controlling interests** | | **(532)** | (702) |
| Total equity | | **1,399,338** | 1,089,908 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2017*

## 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 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 and unlisted financial products recorded in available-for-sale investments which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. 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 revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IAS 7 | *Disclosure Initiative* |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12* |

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the current year's financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

## 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) games 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 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 | |
|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Segment net revenue | **73,591** | 89,919 | **64,040** | 57,366 | **137,631** | 147,285 |
| Cost of services provided | **(51,595)** | (64,208) | **(19,353)** | (17,157) | **(70,948)** | (81,365) |
| Gross profit | **21,996** | 25,711 | **44,687** | 40,209 | **66,683** | 65,920 |
| **Segment results** | **(36,062)** | (14,260) | **94,687** | 61,210 | **58,625** | 46,950 |
| Reconciliation: | | | | | | |
| Bank interest income | | | | | **13,219** | 11,101 |
| Finance costs | | | | | **(3,808)** | (618) |
| Corporate and other unallocated income and expenses, net | | | | | **(25,925)** | (25,571) |
| **Profit before tax** | | | | | **42,111** | 31,862 |
| Income tax expense | | | | | **(17,101)** | (7,722) |
| **Profit for the year** | | | | | **25,010** | 24,140 |
| **Other segment information** | | | | | | |
| Depreciation and amortisation | | | | | | |
| – operating segments | **7,532** | 6,730 | **–** | – | **7,532** | 6,730 |
| – corporate | | | | | **5,391** | 4,120 |
| | | | | | **12,923** | 10,850 |
| Capital expenditure* | **25,261** | 8,050 | **1,639** | 6,547 | **26,900** | 14,597 |
| Fair value gains on investment properties | **–** | – | **50,000** | 21,000 | **50,000** | 21,000 |
| Equity-settled share option expense | | | | | | |
| – operating segments | **–** | 78 | **–** | – | **–** | 78 |
| – corporate | | | | | **2,436** | 3,622 |
| | | | | | **2,436** | 3,700 |
| Share of profits and losses of associates | **(2,440)** | 16,041 | **–** | – | **(2,440)** | 16,041 |
| Share of losses of joint ventures | **2,049** | 5,796 | **–** | – | **2,049** | 5,796 |
| Impairment losses recognised in the statement of profit or loss | **29,020** | 97 | **–** | – | **29,020** | 97 |
| Impairment losses reversed in the statement of profit or loss | **–** | 65 | **–** | – | **–** | 65 |
| Non-current asset held for sale | **–** | 192,604 | **–** | – | **–** | 192,604 |
| Investments in joint ventures | **–** | 22,933 | **–** | – | **–** | 22,933 |
| Investments in associates | **223,458** | 28,414 | **–** | – | **223,458** | 28,414 |

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

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.

## 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:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| **Digital entertainment** | | |
| Game-related revenue | **67,930** | 82,054 |
| Music-based entertainment | **5,868** | 7,928 |
| **Sub-total** | **73,798** | 89,982 |
| **Property investment** | | |
| Rental and management fee income | **65,320** | 58,486 |
| | **139,118** | 148,468 |
| Less: Business tax and surcharges | **(1,487)** | (1,183) |
| Net revenue | **137,631** | 147,285 |
| **Other income and gains, net** | | |
| Fair value gains on investment properties | **50,000** | 21,000 |
| Bank interest income | **13,219** | 11,101 |
| Write-off of other payables | **2,511** | – |
| Foreign exchange differences, net | **798** | 684 |
| Others | **180** | 1,086 |
| | **66,708** | 33,871 |

## 6. PROFIT BEFORE TAX

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

| | *Note* | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| Depreciation | | **8,760** | 6,761 |
| Amortisation of intangible assets | | **3,840** | 3,766 |
| Amortisation of prepaid land lease payments# | | **323** | 323 |
| Operating lease rentals in respect of office buildings | | **1,480** | 1,261 |
| Auditor's remuneration | | **1,880** | 1,774 |
| Employee benefit expense (including directors' remuneration): | | | |
| Wages, salaries and bonuses | | **21,447** | 20,600 |
| Staff education fee | | **95** | 106 |
| Welfare, medical and other expenses | | **2,092** | 2,194 |
| Contributions to social security plans | | **2,305** | 2,572 |
| Equity-settled share option expense | | **2,436** | 3,700 |
| | | **28,375** | 29,172 |
| Write-off of a trade receivable** | | **621** | – |
| Write-back of impairment of trade receivables** | *12* | **–** | (65) |
| Impairment of prepayments* | | **402** | 97 |
| Write-off of prepayments* | | **–** | 2,139 |
| Impairment of intangible assets* | | **2,734** | – |
| Write-off of intangible assets* | | **867** | 6,492 |
| Mobile and Telecom Charges* | | **2,741** | 3,770 |
| Game publishing service charges* | | **27,072** | 39,990 |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties* | | **19,353** | 17,157 |
| Loss on disposal of items of property, plant and equipment** | | **74** | – |
| Write-off of items of property, plant and equipment** | | **–** | 211 |
| Impairment of investments in joint ventures** | | **20,884** | – |
| Impairment of an available-for-sale investment** | | **5,000** | – |
| Write-off of other payables*** | | **(2,511)** | – |
| Reversal of trade payables* | | **(7,938)** | (9,176) |
| Fair value (gains)/losses on financial assets at fair value through profit or loss***/** | | **(38)** | 16 |
| Government grants## | | **(11,410)** | (11,172) |

\# 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. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **3,808** | 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. During the prior years, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

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:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current – Hong Kong | | |
| Underprovision in prior years | **774** | – |
| Current – PRC | | |
| Charge for the year | **3,405** | 2,129 |
| Underprovision/(overprovision) in prior years | **17** | (802) |
| Deferred | **12,905** | 6,395 |
| Total tax charge for the year | **17,101** | 7,722 |

## 9. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2017 (2016: 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 2017 is based on the profit for the year attributable to equity holders of the Company of RMB25,030,000 (2016: RMB24,145,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the year of 2,609,659,000 (2016: 1,814,893,000).

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2017 and 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.

## 11. INVESTMENT PROPERTIES

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | **370,000** | 349,000 |
| Fair value gains on investment properties | **50,000** | 21,000 |
| Carrying amount at 31 December | **420,000** | 370,000 |

The Group's investment properties were revalued on 31 December 2017 and 2016 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

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

## 12. TRADE RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | **14,719** | 8,736 |
| Impairment | **(95)** | (95) |
| | **14,624** | 8,641 |

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 provisions, is as follows:

| | 2017 | 2016 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Billed | | |
| Within 1 month | **279** | 445 |
| Over 1 month but less than 2 months | **1,130** | 1,000 |
| Over 2 months but less than 3 months | **773** | 462 |
| Over 3 months but less than 4 months | **436** | 409 |
| Over 4 months | **2,194** | 68 |
| | **4,812** | 2,384 |
| Unbilled | **9,812** | 6,257 |
| | **14,624** | 8,641 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At 1 January | **95** | 160 |
| Write-back of impairment *(note 6)* | **–** | (65) |
| At 31 December | **95** | 95 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB95,000 (2016: RMB95,000) with a carrying amount before provision of RMB95,000 (2016: RMB95,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

An ageing 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:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **279** | 445 |
| Less than 1 month past due | **1,130** | 1,000 |
| 1 to 2 months past due | **1,209** | 871 |
| Over 3 months past due | **2,194** | 68 |
| | **4,812** | 2,384 |

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.

## 13. 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:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **12,878** | 1,327 |
| 1 to 3 months | **4,254** | 1,231 |
| 4 to 6 months | **1,717** | 618 |
| Over 6 months | **7,625** | 17,747 |
| | **26,474** | 20,923 |

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 (2016: RMB344,000) and due to a joint venture of RMB46,000 (2016: RMB21,000), which are unsecured, interest-free and repayable on demand.

## 14. SHARE CAPITAL

### Shares

| | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| Authorised: | | |
| 3,000,000,000 (2016: 3,000,000,000) ordinary shares of HK$0.01 each | **26,513** | 26,513 |
| Issued and fully paid: | | |
| 2,720,592,628 (2016: 1,835,192,628) ordinary shares of HK$0.01 each | **22,984** | 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 2016, 31 December 2016 and 1 January 2017 | | 1,835,192,628 | 18,352 | 806,797 | 15,123 | 663,208 | 678,331 |
| Issue of new shares | *(a)* | 931,800,000 | 9,318 | 372,720 | 8,253 | 330,129 | 338,382 |
| Share issue expenses | | – | – | (1,335) | – | (1,178) | (1,178) |
| Cancellation of share repurchased | *(b)* | (46,400,000) | (464) | (21,561) | (392) | (18,231) | (18,623) |
| As at 31 December 2017 | | 2,720,592,628 | 27,206 | 1,156,621 | 22,984 | 973,928 | 996,912 |

*Notes:*

(a) On 19 December 2016, the Company entered into a subscription agreement with Ever Novel Holdings Limited (the "Subscriber"), whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu Xiaosong (" Mr. Liu"), pursuant to which the Subscriber agreed to subscribe an aggregate of 931,800,000 new shares of the Company at a price of HK$0.41 per share. The subscription was completed on 20 February 2017 and the Group raised a total of approximately HK$382.0 million (equivalent to RMB338.4 million), before expenses.

(b) During the year ended 31 December 2017, the Company repurchased its own ordinary shares of 59,080,000 (2016: nil) on the Stock Exchange at an aggregate consideration of HK$27,779,000 equivalent to RMB23,474,000 (2016: nil), 46,400,000 (2016: nil) ordinary shares were then cancelled by the Company. Upon the cancellation of 46,400,000 (2016: nil) shares repurchased, the issued share capital of the Company was reduced by the par value of HK$464,000 equivalent to RMB392,000 (2016: nil) and the premium paid on the repurchase of these cancelled shares of HK$21,561,000 equivalent to RMB18,231,000 (2016: nil), including transaction costs, was deducted from share premium of the Company. As at 31 December 2017, there were 12,680,000 ordinary shares repurchased but not yet cancelled by the Company, which were subsequently cancelled by the Company in January 2018.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company repurchased 59,080,000 shares of its own ordinary shares of the Company at the highest and lowest prices of HK$0.560 and HK$0.415 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 2017.

## 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 2017, 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 2017.

Throughout the year ended 31 December 2017, 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 2017.

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 2017.

## 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 2017 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.

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

Hong Kong, 29 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.*