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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2018, the profit attributable to the shareholders of the Company amounted to approximately RMB33.1 million, representing an increase of 230.2% from approximately RMB10.0 million for the corresponding period in 2017.
- For the six months ended 30 June 2018, the revenue of the Group amounted to approximately RMB79.5 million, representing an increase of 41.7% from approximately RMB56.1 million for the corresponding period in 2017.
- For the six months ended 30 June 2018, the overall gross margin ratio of the Group was approximately 48.6%, while it was approximately 53.0% for the corresponding period in 2017.
- Strong balance sheet, with cash and bank balance and highly liquid short term assets of approximately RMB661.7 million and net assets of approximately RMB1,468.7 million as of 30 June 2018.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial information (“**Interim Accounts**”) of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2018. The Interim Accounts have not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
		2018	2017
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE, net of taxes and surcharges	4	77,807	55,802
Cost of services provided		<u>(39,143)</u>	<u>(26,038)</u>
Gross profit		38,664	29,764
Other income and gains, net	4	48,898	15,070
Selling and marketing expenses		(22,123)	(7,779)
Administrative expenses		(22,940)	(15,046)
Other expenses, net		(378)	(4,970)
Finance costs	5	(3,888)	(1,403)
Share of profits and losses of associates		3,721	(1,735)
Share of losses of joint ventures		<u>–</u>	<u>(1,047)</u>
PROFIT BEFORE TAX	6	41,954	12,854
Income tax expense	7	<u>(10,285)</u>	<u>(2,823)</u>
PROFIT FOR THE PERIOD		<u>31,669</u>	<u>10,031</u>
Attributable to:			
Owners of the Company		33,068	10,014
Non-controlling interests		<u>(1,399)</u>	<u>17</u>
		<u>31,669</u>	<u>10,031</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB per share)		<u>1.2 cent</u>	<u>0.4 cent</u>
Diluted (RMB per share)		<u>1.2 cent</u>	<u>0.4 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	31,669	10,031
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	(1,945)	(7,786)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Net loss on financial assets at fair value through other comprehensive income	(20,185)	—
OTHER COMPREHENSIVE LOSS	(22,130)	(7,786)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,539	2,245
Attributable to:		
Owners of the Company	10,938	2,228
Non-controlling interests	(1,399)	17
	9,539	2,245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	146,031	149,888
Investment properties		426,000	420,000
Prepaid land lease payments		12,708	12,869
Prepayment		–	8,100
Intangible assets		29,124	21,927
Goodwill	14	88,406	–
Investments in associates		304,008	223,458
Investments in joint ventures		–	–
Financial assets at fair value through profit or loss		145,169	16,050
Financial assets at fair value through other comprehensive income		42,324	–
Available-for-sale investments		–	93,944
Deferred tax assets		2,233	2,586
		1,196,003	948,822
CURRENT ASSETS			
Network films and dramas under production		4,235	3,277
Trade receivables	11	17,396	14,624
Prepayments, deposits and other receivables		29,117	20,647
Financial assets at fair value through profit or loss		37,716	332
Available-for-sale investments		–	32,272
Restricted cash balances and pledged deposits		278,033	133,513
Cash and cash equivalents		345,992	546,071
		712,489	750,736
CURRENT LIABILITIES			
Trade payables	12	28,459	26,474
Other payables and accruals		81,453	61,949
Interest-bearing bank borrowings		228,058	117,150
Tax payable		10,265	9,788
Deferred income		4,353	5,299
		352,588	220,660
NET CURRENT ASSETS		359,901	530,076
TOTAL ASSETS LESS CURRENT LIABILITIES		1,555,904	1,478,898

		30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		81,536	72,860
Deferred income		5,699	6,700
		<hr/>	<hr/>
Total non-current liabilities		87,235	79,560
		<hr/>	<hr/>
Net assets		1,468,669	1,399,338
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>13</i>	22,877	22,984
Reserves		1,434,662	1,376,886
		<hr/>	<hr/>
Non-controlling interests		1,457,539	1,399,870
		11,130	(532)
		<hr/>	<hr/>
Total equity		1,468,669	1,399,338
		<hr/>	<hr/>

NOTES TO INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

- provision of digital entertainment services
- property investment

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current period’s unaudited interim financial information:

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

Other than as further explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the new and revised IFRSs has had no material impact on the unaudited interim financial information of the Group. The principal effects for adopting IFRS 9 and IFRS 15 are as follows:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. The adoption of IFRS 15 does not have a material impact on the Group’s condensed consolidated financial statement.

IFRS 9 *Financial Instruments*

IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 *Financial Instruments: Recognition and measurement*. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in relevant statement of balance sheet items as of 1 January 2018.

(a) Classification and measurement

Except for trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“**FVPL**”), amortised cost, or fair value through other comprehensive income (“**FVOCI**”). The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the “**SPPI criterion**”).

The new classification and measurement of the Group’s debt financial assets is, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group’s trade receivables and financial assets included in prepayments, deposits and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its listed and unlisted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group’s unlisted equity instruments were classified as available-for-sale (“**AFS**”) financial assets.
- Financial assets at FVPL – include derivative instruments and unlisted equity investments which the Group has not irrevocably elected, at initial recognition or transition, to classify as FVOCI. Under IAS 39, the Group’s unlisted equity investments were classified as AFS financial assets at cost.
- Debt instruments at FVOCI – with gains or losses recycled to profit or loss on derecognition. The Group does not have any financial assets classified in this category.

The assessment of the Group’s business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group’s financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) *Impairment*

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

The ECL allowance is based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Deposits and other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of IFRS 9 did not result in change in impairment allowance of the Group's debt financial assets.

The following summarises the changes for the Group's financial assets on 1 January 2018, the Group's date of initial application of IFRS 9:

	Originally stated			IFRS 9		
	Loans and receivables <i>RMB'000</i>	Available-for-sale financial assets <i>RMB'000</i>	Remeasurement upon application of IFRS 9 <i>RMB'000</i>	Amortised cost <i>RMB'000</i>	Financial assets at FVOCI (without recycling) <i>RMB'000</i>	Financial assets at FVPL <i>RMB'000</i>
Financial assets						
Financial assets included in trade receivables and deposits and other receivables	29,591	-	-	29,591	-	-
Available-for-sale investments	-	126,216	45,584	-	76,459	95,341
Pledged deposits and restricted cash balances in financial institutions	133,513	-	-	133,513	-	-
Cash and cash equivalents	546,071	-	-	546,071	-	-
	<u>709,175</u>	<u>126,216</u>	<u>45,584</u>	<u>709,175</u>	<u>76,459</u>	<u>95,341</u>

The impact of the Group's reserves due to the remeasurement of financial instruments as at 1 January 2018, the Group's date of initial application of IFRS 9, is as follows:

	Fair value reserve of financial assets at FVOCI (without recycling) <i>RMB'000</i>	Retained profit <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2018 (originally stated)	–	322,290	1,399,338
Remeasurement upon initial application of IFRS 9	26,515	19,069	45,584
Reclassification upon initial application of IFRS 9	(5,000)	5,000	–
At 1 January 2018 (adjusted)	<u>21,515</u>	<u>346,359</u>	<u>1,444,922</u>

3. OPERATING SEGMENT INFORMATION

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

- (a) the digital entertainment segment engages in the provision of (1) music-based entertainment; (2) game-related services; and (3) film and television production in the PRC; and
- (b) the property investment segment invests in properties for rental and management fee income in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit 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, net are excluded from such measurement.

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

For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2018 (Unaudited) <i>RMB'000</i>	2017 (Unaudited) <i>RMB'000</i>	2018 (Unaudited) <i>RMB'000</i>	2017 (Unaudited) <i>RMB'000</i>	2018 (Unaudited) <i>RMB'000</i>	2017 (Unaudited) <i>RMB'000</i>
Segment net revenue	42,195	24,163	35,612	31,639	77,807	55,802
Cost of services provided	(29,507)	(17,884)	(9,636)	(8,154)	(39,143)	(26,038)
Gross profit	<u>12,688</u>	<u>6,279</u>	<u>25,976</u>	<u>23,485</u>	<u>38,664</u>	<u>29,764</u>
Segment results	<u>13,754</u>	<u>(5,951)</u>	<u>31,976</u>	<u>33,485</u>	<u>45,730</u>	<u>27,534</u>
Reconciliation:						
Bank interest income					8,336	5,066
Finance costs					(3,888)	(1,403)
Corporate and other unallocated income and expenses, net					<u>(8,224)</u>	<u>(18,343)</u>
Profit before tax					41,954	12,854
Income tax expense					(10,285)	(2,823)
Profit for the period					<u>31,669</u>	<u>10,031</u>

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

4. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Digital entertainment		
Game-related revenue	38,995	20,804
Music-based entertainment	3,447	3,428
	<u>42,442</u>	<u>24,232</u>
Sub-total		
Property investment		
Rental and management fee income	37,105	31,898
	<u>79,547</u>	56,130
Less: Taxes and surcharges	<u>(1,740)</u>	<u>(328)</u>
Net revenue	<u>77,807</u>	<u>55,802</u>
Other income and gains, net		
Bank interest income	8,336	5,066
Fair value gains on investment properties	6,000	10,000
Fair value gains on financial assets at fair value through profit or loss	28,705	–
Foreign exchange differences, net	4,303	–
Others	1,554	4
	<u>48,898</u>	<u>15,070</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	<u>3,888</u>	<u>1,403</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Depreciation	4,512	4,422
Amortisation of intangible assets	1,351	2,078
Amortisation of prepaid land lease payments	162	162
Fair value loss on financial assets at fair value through profit or loss**	16	11
Fair value gain on financial assets at fair value through profit or loss*	(28,705)	–
Foreign exchange differences, net*/**	(4,303)	4,802
	<u> </u>	<u> </u>

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

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

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017, respectively.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates in the jurisdictions in which the subsidiaries operate.

An analysis of the income tax charges for the six months ended 30 June 2018 and 2017 is as follows:

	For the six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Current – PRC		
Charge for the period	822	510
Underprovision in the prior years	434	235
Deferred	9,029	2,078
	<u> </u>	<u> </u>
Total tax charge for the period	<u>10,285</u>	<u>2,823</u>

8. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

The calculation of the basic earnings per share amounts for the six months ended 30 June 2018 is based on the profit for the period attributable to equity holders of the Company of RMB33,068,000 (six months ended 30 June 2017: RMB10,014,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2018 of 2,694,301,000 (six months ended 30 June 2017: 2,489,853,000).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2018 in respect of a dilution as the exercise price of outstanding share options was higher than the average market price of the ordinary shares of the Company during the period and the share options had no dilutive effect on the basic earnings per share amount presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB138,000 (six months ended 30 June 2017: RMB1,465,000). There were disposals and/or write-off of property, plant and equipment of RMB38,000 (six months ended 30 June 2017: RMB110,000) during the six months ended 30 June 2018.

11. TRADE RECEIVABLES

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Billed		
Within 1 month	210	279
Over 1 month but less than 2 months	651	1,130
Over 2 months but less than 3 months	395	773
Over 3 months but less than 4 months	781	436
Over 4 months	<u>2,909</u>	<u>2,194</u>
	4,946	4,812
Unbilled	<u>12,450</u>	<u>9,812</u>
	<u>17,396</u>	<u>14,624</u>

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

12. TRADE PAYABLES

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within 1 month	10,590	12,878
1 to 3 months	1,532	4,254
4 to 6 months	1,760	1,717
Over 6 months	14,577	7,625
	<u>28,459</u>	<u>26,474</u>

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

13. SHARE CAPITAL

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid:		
2,707,912,628 (31 December 2017: 2,720,592,628) ordinary shares of HK\$0.01 each	<u>22,877</u>	<u>22,984</u>

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2018	2,720,592,628	27,206	1,156,621	22,984	973,928	996,912
Cancellation of share repurchased	<u>(12,680,000)</u>	<u>(127)</u>	<u>(5,627)</u>	<u>(107)</u>	<u>(4,744)</u>	<u>(4,851)</u>
As at 30 June 2018	<u>2,707,912,628</u>	<u>27,079</u>	<u>1,150,994</u>	<u>22,877</u>	<u>969,184</u>	<u>992,061</u>

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

Subsequent to the end of the period, the Company repurchased its ordinary shares of 7,026,000 on the Stock Exchange at an aggregate consideration of HK\$2,913,000 equivalent to RMB2,484,000, and all of the repurchased ordinary shares were then cancelled by the Company.

14. BUSINESS COMBINATION

Acquisition of Shanghai Mu77 Network Technology Co., Ltd. and Mu77 Network Technology Hongkong Limited

On 27 March 2018, the Group acquired 51% of the voting shares of Shanghai Mu77 Network Technology Co., Ltd. and Mu77 Network Technology Hongkong Limited (collectively “**Mu77**”), two unlisted companies based in the PRC and Hong Kong, respectively, which principally engaged in mobile game research and development and operation in the PRC and overseas. The investment is in line with the strategic layout of the Group in its business development in the pan-entertainment industry chain. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Mu77 for the three months period from the acquisition date.

The provisional fair values of the identifiable assets and liabilities of Mu77 as at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	362
Cash	4,075
Trade receivables	4,423
Other receivables	26,141
	<u>35,001</u>
Liabilities	
Trade payables	(2,104)
Other payables	(3,779)
Tax payable	(463)
Interest-bearing bank borrowings	(2,000)
	<u>(8,346)</u>
Total identifiable net assets at fair value	<u>26,655</u>
Non-controlling interests	(13,061)
Goodwill arising on acquisition	88,406
	<u>102,000</u>
Total consideration	<u>102,000</u>
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the subsidiary	4,075
Cash paid	(59,558)
	<u>(55,483)</u>
Net cash outflow on acquisition (included in cash flows from investing activities)	<u>(55,483)</u>

The above goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing a valuation to assess the fair values of the identifiable assets acquired and liabilities assumed.

The provisional fair values recognised on acquisition as shown above may be adjusted upon the completion of the initial accounting for the business combination during the measurement period, which shall not exceed one year from the acquisition date.

From the date of acquisition, Mu77 has contributed RMB2,109,000 of revenue and a loss of RMB2,639,000 to the profit of the Group. If the acquisition had taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period ended 30 June 2018 would have been RMB84,392,000 and RMB30,798,000, respectively.

Transaction costs of RMB130,000 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the condensed consolidated statement of cash flows.

15. COMMITMENTS

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted, but not provided for:		
Investments	—	18,900

BUSINESS REVIEW AND OUTLOOK

Business review for the first half of 2018

In 2018, the pan-entertainment ecosystem in the PRC continued to prosper and develop, and the characteristics of ecological operations became more and more prominent. In the IP (“**Intellectual Property**”)-centric pan-entertainment ecosystem, each segment has a similar or complementary targeted community, the boundaries between them are gradually broken, and the pan-entertainment form gradually develops into the stage of content linkage, integration development and full value chain sharing.

In the first half of 2018, the Group’s layout in the pan-entertainment industry has made significant progress. The Group, together with Tencent, acquired the game development company Shanghai Mu77 Network Technology Co., Ltd. (上海木七七網絡科技有限公司) and Mu77 Network Technology Hong Kong Limited (香港木七七網絡科技有限公司) (collectively “**Mu77**”). At the same time, the Group increased its shareholding of one of the largest screenwriter companies in the PRC, Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司, “**Lanlanlanlan Film & Television**”). The aforementioned acquisitions and investments have laid an important foundation for the Group to build a high-quality IP-centric pan-entertainment industrial ecology that links business segments such as literature, animation, film and television, and games. The following is a review of the development of the various business segments of the Group during the reporting period:

Film & television production

The Group’s wholly-owned subsidiary, Jisu Woniu Film & Television Media (Shenzhen) Co., Limited (極速蝸牛影視傳媒(深圳)有限公司, “**A8 Film & Television**”), was established in 2017 and is principally engaged in the business of producing television series, short videos and films.

Web Drama of “Yunteng Scheme” of iQIYI – “Matchmaker of Great Zhou Dynasty”

In 2017, A8 Film and Television took part in the bid of the “Yunteng Scheme” (「雲騰計劃」) of an online video streaming platform iQIYI and won the top ten IP customized web drama – “Matchmaker of Great Zhou Dynasty” (「大周小冰人」). A8 Film and Television and iQIYI are jointly developing and producing this lightly funny idol costume drama, which began shooting in August 2018. The drama is expected to go live in 2019.

Continuous exploration and innovation in the field of short videos

A8 Film and Television launched its first short video content product in 2017: the suspense mini-play “Fantasy Apocalypto” (「奇幻啟示錄」). The short video has accumulated over 100 million hits across the whole network. A8 Film and Television summarized its successful experience in producing short videos and continues to explore and develop in this field. In the first half of 2018, A8 Film and Television cooperated with Inke Limited (“**Inke**”) to produce two short video products: Vlog “The Little World of Xuchen” (「旭宸的小世界」) and “Go, Zheng Xiaoqian” (「加油鄭小錢」).

Equity investment in Lanlanlanlan Film & Television

In October 2017, the Group entered into a capital increase agreement with Lanlanlanlan Film & Television and its shareholders to acquire a 5% equity interest in Lanlanlanlan Film & Television through capital increase. In December 2017, the Group entered into an equity transfer agreement with independent third parties to acquire a total of 5% equity interest in Lanlanlanlan Film & Television. In April 2018, the Group further acquired an additional 13.56% equity interest in Lanlanlanlan Film & Television to a number of independent third parties. After the completion of the aforesaid transactions and as of 30 June 2018, the Group held 23.56% equity interest in Lanlanlanlan Film & Television.

Lanlanlanlan Film & Television is mainly engaged in the business such as producing script sales, script adaptation, production of web series, television series, cinema movies and web movies. It employs more than 100 screenwriters and is currently the largest screenwriter team in the PRC. With its large screenwriter team and a large amount of script reserves, Lanlanlanlan Film & Television can quickly and effectively shorten both script production cycle and film and television production cycle. It has the experience and ability to batch-bulk produce films and televisions.

Game business

In February 2018, the Group joined Tencent to acquire the independent game company Mu77. The Group's game publishing platform, Finger Fun, will focus on market segments such as SLG games with long-term life cycles.

Independent game research & development platform – Mu77

The Group's subsidiary, Mu77, is mainly engaged in the research and development and operation of independent games. Mu77 won the honor of "Alibaba Game Eco Top Ten Creative Manufacturers" this year. Mu77's self-developed product "Card Monster" (「卡片怪獸」) continues to operate on the Tencent Aurora platform in the PRC, and maintains at the top thirty on the Best-selling List of WeChat games. In overseas regions, this product is continuously recommended by iOS and Google Play.

In the first half of this year, Mu77 has initiated a number of projects, such as miniatures game project "Colossus Knights" (「巨像騎士團」). Mu77 expects that simplifying the operation of miniatures games will make them more accommodative to the operating experience on the mobile side. At present, the project has been under early demo testing on the TapTap platform, and has received over 10,000 subscribers and gained a 9.2 user rating. The project is expected to be commercialized during the year.

Steady adjustment of domestic publishing business

The Group's stable products such as "Werewolf Killers" (「狼人殺」), "I Want to Seal the Sky – Naval Battle" (「我欲封天山海戰」) and "PaPa Three Kingdoms" (「啪啪三國」) are still under operation in the first half of this year. At the same time, under the previously established strategy – "Products Intensification and Premiumising", further business development of the publishing business is drawn closer to products in sub-categories and of unique themes. In the first half of 2018, Finger Fun introduced a key RPGSLG type of product "Making Soldiers in Three Kingdoms" (「造兵三國」), which is based on SLG gameplay while being sub-categorized into the RPG theme. This product won the Sohu Best Attention Award and received a good rating in core channels such as Meizu and UC.

Continuous development in overseas publishing business

In the second quarter of 2018, the “Three Kingdoms Wars M” (「三國志大戰M」) was launched in Hong Kong, Macao and Taiwan, receiving outstanding player review. Before getting launched online, it got the pre-registration recommendation on Google Play in Taiwan; after being officially released, Google Play put it in the recommendation position on its homepage. It won the first place on the Best-selling List in Macau and the second place in the Hong Kong region. The product got its highest position to the first place on the Taiwan Game Free List in Apple Appstore. At the same time, it has been top five on the Best-Selling List and the Free List both in Hong Kong and Taiwan.

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 includes commercial office, podium commercial property and parking lots. A8 Music Building continues to improve its property management services, and the satisfaction of tenants entering the company continues to increase. In the first half of 2018, the safety management level of A8 Music Building was outstanding. It was listed as the Excellent Fire Control Building of Nanshan District by the Fire Department of the Nanshan District Public Security Bureau. In June 2018, in the selection of Shenzhen Excellent Property Management Buildings, after a field assessment and a series of reviews by the property management industry expert group, relying on its outstanding property service performance and music culture characteristics, A8 Music Building won the first place and was awarded the title of “Annual Outstanding Building for Shenzhen Property Management in 2018”.

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 36 performance activities in the first half of 2018 in diversified activity forms such as artists performance, band shows, concerts, fans meeting, press releases, charitable activities and live broadcasts, etc. Invited artists are increasingly internationalized, including well-known singers and bands such as British singer Tom Odell, American pop music band Foster The People, Canadian singer Daniel Powter and Icelandic band Bang Gang. Going forward, performances of big-name entertainers into LiveHouse will become a trend. Close-range interactive performances will be the highlight of LiveHouse. 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」), one of the leading literature platforms of suspense-style literatures in the PRC, Ruochu.com (「若初網」), the platform mainly of women's romance literatures, Ruoxia.com (「若夏網」), the platform mainly of ancient-style literatures, and Shao Nian Meng (「少年夢」), the platform targeting at ACG readers. Beijing Zhangwen is mainly engaged in the business of incubating and operating of IPs, providing paid reading of online literature and comics, and authorizing the adaptation of literary works into mobile games, web series, TV series, movies, cartoons, animations and audio works.

Steady development of self-owned platform business and rapid growth of third-party distribution business

As of June 30, 2018, the number of users on Beijing Zhangwen's self-owned platform exceeded 22 million, an increase of more than 14% from June 30 of the previous year. The quality contents on its self-own platform continuously increased, with more than 100,000 works published, and the number of works has increased by about 25% from the end of last year.

In the first half of 2018, the third-party distribution business continued to maintain its momentum of rapid growth. With its original distribution channels such as Toutiao (「今日頭條」), Xiaomi (「小米」), Wanneng Wifi (「萬能鑰匙」), China Literature (「閱文集團」), Ali Literature (「阿裡文學」), iReader (「掌閱文學」), Chasing Artifacts (「追書神器」), Zhongheng Literature (「縱橫文學」), Baidu Cloud (「百度雲」), Migu Culture (「咪咕文化」), etc. in hand, Beijing Zhangwen continues to expand new distribution channels. In the first half of 2018, Beijing Zhangwen's innovative operation mode of its non-serial IP won the first battle. “Jiangliao” (「姜了」) became the first literary work in Toutiao which achieved more than 10 million readings. In the first half of 2018, revenue from third-party distribution and copyright business increased by approximately 73% over the same period last year.

Breakthrough in content licensing business

Beijing Zhangwen has made a major breakthrough in the licensing of audio works. In the first half of 2018, Beijing Zhangwen's work occupied the first place on the Himalayan FM (「喜馬拉雅FM」)'s Pay-to-listen List for six consecutive months. Himalayan's Free List, Lazy People Listening (「懶人聽書」)'s Hot Search List, and the top ten of Qingting FM (「蜻蜓FM」)'s Finished Reading List are all occupied by the audio works from Beijing Zhangwen. The success of the audio works further broadened the monetization pipeline of the online literature IPs of Beijing Zhangwen.

In terms of IP literature licensing to films & televisions, Beijing Zhangwen has cooperated with over 60 works up to now. In the first half of 2018, Beijing Zhangwen cooperated with Enlight Media to create a web drama “Spring Festival Banquet” (「春日宴」). At the same time, Beijing Zhangwen authorized iQIYI the adaptation right to film and television of the well-known IP literature work “The Scenery Comes Never Too Late” (「美景未遲」).

Business outlook for the second half of 2018

In the second half of 2018, the Group will continue to strengthen the linkage between the existing business segments in the pan-entertainment industry chain, and strive to build an entertainment ecosystem with IP-centric multi-industrial linkage of online literature, animation, film and television and games.

Film & television production

In the second half of 2018, the Group's film and television business will focus on the following development directions:

Firstly, we will focus on promoting the web drama “Matchmaker of Great Zhou Dynasty” (「大周小冰人」) and “Time Machine” (「時光機」) (tentative name) in cooperation with iQIYI.

Secondly, promoting the collaboration between A8 Film & Television and Beijing Zhangwen.

Game business

In the second half of 2018, the Group's primary development strategies in the game business are:

Firstly, by digging deeply into the unmet demands of game players, innovative game playing methods are developed. Then the commercialization of the series of game are realized continually through the fine operation of the new game playing methods.

Secondly, we will focus on market segments such as SLG games with long-term life cycles.

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

In the second half of 2018, with the increasing popularity of the A8 Music Building, it is expected that the rental income generated from A8 Music Building will maintain steady growth in the future. At the same time, the Group will continue to enhance the property management level of A8 Music Building to provide better services to tenants, which will contribute to the Group's sustainable and stable income.

In the second half of 2018, the Company is committed to the development of “A8 Live” in terms of branding and content. It will continue to expand the “A8 Live” performance business, strengthen brand promotion and industry influence.

Online literatures – Beijing Zhangwen

In the second half of 2018, Beijing Zhangwen will continue to build a pan-entertainment ecosystem based on literary IPs. Beijing Zhangwen will deeply participate in film and television production, and work together with internal and external resources such as A8 Film and Television, Toutiao, Lanlanlanlan to create a series of web series and web movies. At the same time, Beijing Zhangwen will also vigorously develop a distribution platform for comic works. Committed to promoting the linkage between online literature, audio books, comics and film and television works, forming a closed loop of the industrial chain.

FINANCIAL REVIEW

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2018, the revenue of the Group amounted to approximately RMB79.5 million, representing an increase of approximately 41.7% as compared with the corresponding period in 2017 (2017: approximately RMB56.1 million).

Digital entertainment services

For the six months ended 30 June 2018, the revenue of digital entertainment services of the Group amounted to approximately RMB42.4 million, representing an increase of approximately 75.1% as compared with the corresponding period in 2017 (2017: approximately RMB24.2 million). The increase was mainly resulted from the increase of game related services amounted to approximately RMB18.2 million.

Property investment business

For the six months ended 30 June 2018, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB37.1 million, representing an increase of approximately 16.3% as compared with the last corresponding period (2017: approximately RMB31.9 million). The increase was mainly due to the increased occupancy rate and unit rental resulted from high quality property management services.

For the six months ended 30 June 2018, the profit attributable to equity holders of the Company amounted to approximately RMB33.1 million, representing a significant increase of approximately 230.2% as compared with the corresponding period in 2017 (2017: approximately RMB10.0 million). The increase was mainly attributable to the fair value increase amounted to approximately RMB28.7 million of financial assets at fair value through profit or loss in relation to the Group's rights to performance guarantee and equity repurchase as provided for by the Group's investment in Lanlanlanlan Film & Television.

Cost of services provided

For the six months ended 30 June 2018, the cost of services provided of the Group amounted to approximately RMB39.1 million, representing an increase of approximately 50.3% as compared with the corresponding period in 2017 (2017: approximately RMB26.0 million). The increase was mainly due to the increased cost of digital entertainment services amounted to approximately RMB11.6 million following the related increased revenue.

Digital entertainment services

For the six months ended 30 June 2018, the cost of services provided of digital entertainment services amounted to approximately RMB29.5 million, increased by approximately 65.0% as compared with the corresponding period in 2017 (2017: approximately RMB17.9 million), which mainly resulted from the increase in revenue shared with distribution channels and business alliances accompanied with the increase in related revenue. The cost of services provided mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as game publishing rights and direct labor costs.

Revenue shared with mobile operators and distribution channels mainly ranged from 30% to 60% of total digital entertainment services revenue received from mobile users and it averaged at approximately 35.3% for the six months ended 30 June 2018 (2017: approximately 44.4%), while revenue shared with business alliances averaged at approximately 22.8% of total digital entertainment services revenue for the six months ended 30 June 2018 (2017: approximately 15.4%).

Property investment business

For the six months ended 30 June 2018, the cost of services provided of property investment business amounted to approximately RMB9.6 million, increased by approximately 18.2% as compared with the corresponding period in 2017 (2017: approximately RMB8.2 million). It mainly comprised of employee's compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the six months ended 30 June 2018, the gross profit of the Group amounted to approximately RMB38.7 million, representing an increase of approximately 29.9% as compared with the corresponding period in 2017 (2017: approximately RMB29.8 million). The overall gross margin ratio of the Group was approximately 48.6%, as compared with approximately 53.0% for the last corresponding period. The decrease of the overall gross margin ratio was mainly resulted from the slight decreased margin ratio contribution of property investment business following the property tax levied from Sep. 2017.

Other income and gains, net

For the six months ended 30 June 2018, the other income and gains of the Group were approximately RMB48.9 million, as compared with a net gain of approximately RMB15.1 million for the last corresponding period, representing a significant increase of approximately 224.5%. The increase was mainly due to the increase in fair value gain of financial asset at fair value through profit or loss amounted to approximately RMB28.7 million in relation to the Group's rights to performance guarantee and equity repurchase as provided for by the Group's investment in Lanlanlanlan Film & Television. It was also due to the increase in the foreign exchange gain and bank interest income amounted to approximately RMB4.3 million and RMB3.3 million, respectively, which were partly offset by the decrease of fair value gain on investment properties amounted to approximately RMB4.0 million.

Selling and marketing expenses

For the six months ended 30 June 2018, the selling and marketing expenses of the Group amounted to approximately RMB22.1 million, increased by 184.4% as compared with the corresponding period in 2017 (2017: approximately RMB7.8 million). The increase in selling and marketing expenses was mainly due to the increase in marketing and promotion expenses amounted to approximately RMB11.6 million arising from promotion activities for various mobile games during their launch stage.

Administrative expenses

For the six months ended 30 June 2018, the administrative expenses of the Group amounted to approximately RMB22.9 million, representing an increase of 52.5% as compared with the corresponding period in 2017 (2017: approximately RMB15.0 million). The increase was mainly due to the increase in employee costs amounted to approximately RMB5.5 million in relation to the business combination of Mu77 completed in March 2018 and the Group's labor adjustment following the business development.

Share of profits and losses of associates

For the six months ended 30 June 2018, the Group shared profits of associates amounted to approximately RMB3.7 million, compared to share of losses of approximately RMB1.7 million in the last corresponding period. The change was mainly due to shared profits of Beijing Zhangwen amounted to approximately RMB4.6 million.

Tax

For the six months ended 30 June 2018, income tax of the Group amounted to approximately RMB10.3 million, as compared with approximately RMB2.8 million for the corresponding period in 2017. The significant increase was mainly due to the deferred tax amounted to approximately RMB7.2 million derived from the increased fair value gain of financial asset at fair value through profit or loss.

The effective tax rate of the Group was approximately 24.5% in the six months ended 30 June 2018 (2017: approximately of 22.0%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 25% in the respective operating subsidiaries of the Group in 2018.

Non-current assets

As at 30 June 2018, the total non-current assets of the Group amounted to approximately RMB1,196.0 million (2017: approximately RMB948.8 million), increased by approximately RMB247.2 million. The increase was mainly due to the increase of investment in associates and financial assets at fair value through profit or loss amounted to approximately RMB80.6 million and RMB66.1 million, respectively, which was related to the Group's investment in Lanlanlanlan Film & Television and the incidental rights to performance guarantee and equity repurchase with total cash consideration amounted to approximately RMB130.2 million.

The increase of non-current assets was also due to the increase of goodwill arising from acquisition of Mu77 and financial assets at fair value through profit or loss in relation to the fund investments amounted to approximately RMB88.4 million and RMB63.1 million, respectively, which were partly offset by the decrease in financial assets at fair value through other comprehensive income amounted to approximately RMB51.6 million.

Current assets and current liabilities

As at 30 June 2018, the total current assets of the Group amounted to approximately RMB712.5 million (2017: approximately RMB750.7 million), decreased by approximately RMB38.2 million.

The decrease was mainly due to the decrease of cash and cash equivalents amounted to approximately RMB200.1 million, which was offset by the increase of restricted cash balances and pledged deposits, prepayments, deposits and other receivable and financial assets at fair value through profit or loss amounted to approximately RMB144.5 million, RMB8.5 million and RMB5.1 million, respectively. Trade receivables amounted to approximately RMB17.4 million (2017: approximately RMB14.6 million), and the turnover days of trade receivables was approximately 36 days (2017: approximately 30 days).

As at 30 June 2018, the total current liabilities of the Group amounted to approximately RMB352.6 million (2017: approximately RMB220.7million), increased by approximately RMB131.9 million. The increase was mainly resulted from the increase in interest-bearing bank borrowings, other payables and accruals amounted to approximately RMB110.9 million and RMB19.5 million, respectively. The Group's interest-bearing borrowings are the effective and low-cost way to use cross-border capital to support the group's business development and business combination.

Liquidity and financial resources

As at 30 June 2018, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash and pledged deposits and financial assets at fair value through profit or loss amounted to approximately RMB661.7 million in aggregate (2017: approximately RMB712.2 million). Among which, approximately RMB262.6 million, or approximately 40% was denominated in RMB.

As at 30 June 2018, the Group have short-term interest-bearing bank borrowings in aggregate amounted to approximately RMB228.1 million (2017: approximately RMB117.2million), and the gearing ratio which is measured by the net borrowings over the total assets is 11.9% (2017: approximately 6.9%).

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

As at 30 June 2018, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Cash flow

Net cash inflow from operating activities of the Group for the six months ended 30 June 2018 was approximately RMB6.8 million, resulted from cash inflow generated from operations of approximately RMB8.0 million and the tax paid of approximately RMB1.2 million.

Net cash outflow from investing activities of the Group for the six months ended 30 June 2018 was approximately RMB315.9 million, resulted from the cash outflow for increase of restricted cash and pledged deposits and payment for purchase of 18.56% equity interest in Lanlanlanlan Film & Television amounted to approximately RMB144.5 million and RMB90.3 million, respectively, and it was also due to the payment for the acquisition of 51% equity interest in Mu77 and the last installment for purchase of 35% equity interest in Beijing Zhangwen amounted to approximately RMB55.5 million and RMB17.5 million respectively, which were partly offset by the interest received amounted to approximately RMB11.3 million.

Net cash inflow from financing activities of the Group for the six months ended 30 June 2018 was approximately RMB105.0 million, mainly resulted from receipt of principal of new bank loans amounted to approximately RMB199.6 million, which were partly offset by the repayment of principal and interest of the bank loans of approximately RMB90.7 million and RMB3.9 million, respectively.

Human resources

As at 30 June 2018, the Group had 188 employees (as at 30 June 2017: 146 employees). However, the average headcounts of the period was 165 while it was 106 for the corresponding period in 2017. Total employee costs for the six months ended 30 June 2018, including directors' emoluments, amounted to approximately RMB19.2 million (2017: approximately RMB11.1 million). The increase in employee costs was mainly resulted from the business combination of Mu77 and the Group's labor adjustment following the business development.

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

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of an interim dividend for 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2018.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2018, all the code provisions set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the “**CEO**”) to be performed by different individuals.

Mr. Liu Xiaosong (“**Mr. Liu**”) 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 make better business decision for the Group in performing the roles of the chairman and CEO. 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 this reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2018. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for the six months ended 30 June 2018.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30 June 2018.

PUBLICATION OF 2018 INTERIM RESULTS AND INTERIM REPORT

The 2018 interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.a8nmg.com>). The 2018 interim report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company on or about Thursday, 6 September 2018.

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

Hong Kong, 23 August 2018

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

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