



# A8新媒体集团

## A8 NEW MEDIA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00800

## INTERIM REPORT 2015



**A8**  
LIVE



**A8** 音乐  
com beta

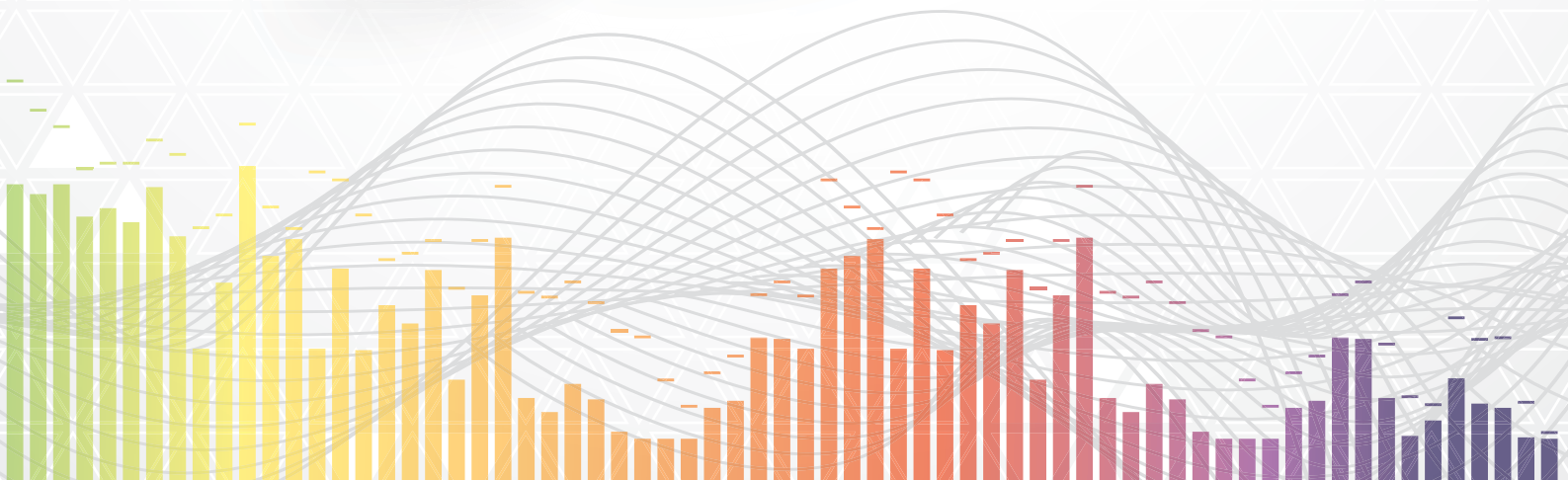


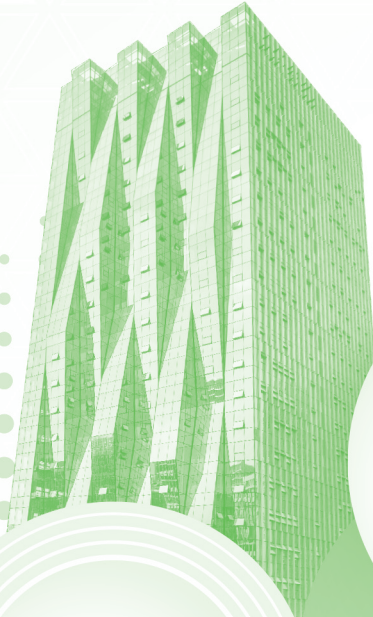
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NATIONAL MUSIC INDUSTRY PARK

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Liu Xiaosong  
Mr. Liu Pun Leung

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Kwong  
Ms. Wu Shihong  
Mr. Song Ke

### AUDIT COMMITTEE

Mr. Chan Yiu Kwong (*Chairman*)  
Ms. Wu Shihong  
Mr. Song Ke

### NOMINATION COMMITTEE

Mr. Liu Xiaosong (*Chairman*)  
Ms. Wu Shihong  
Mr. Song Ke

### REMUNERATION COMMITTEE

Ms. Wu Shihong (*Chairman*)  
Mr. Liu Xiaosong  
Mr. Song Ke

### AUTHORISED REPRESENTATIVES

Mr. Liu Xiaosong  
Ms. Gao Keying

### JOINT COMPANY SECRETARIES

Mr. Liu Pun Leung  
Ms. Gao Keying

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.  
Industrial Bank Co., Ltd.  
Standard Chartered Bank (Hong Kong) Limited  
Credit Suisse, Hong Kong Branch

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE

23/F, A8 Music Building  
No. 1002 Keyuan Road  
Hi-tech Park  
Nanshan District  
Shenzhen  
Guangdong Province  
The PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 06-12, 33/F.  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

### BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### WEBSITE

[www.a8.com](http://www.a8.com)  
[www.a8nmg.com](http://www.a8nmg.com)

### STOCK CODE

00800

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		For the six months ended 30 June	
	Notes	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)
Revenue		67,907	123,368
Business tax		(1,302)	(1,804)
Net revenue	4	66,605	121,564
Cost of services provided		(42,244)	(88,946)
Gross profit		24,361	32,618
Other income and gains, net	4	31,469	15,663
Selling and marketing expenses		(8,284)	(22,345)
Administrative expenses		(21,118)	(20,626)
Other expenses, net		(5,478)	(503)
Share of profits and losses of associates		(9,762)	(2,818)
Share of profits and losses of joint ventures		(916)	49
<b>PROFIT BEFORE TAX</b>	5	<b>10,272</b>	2,038
Income tax expense	6	(4,751)	(1,028)
<b>PROFIT FOR THE PERIOD</b>		<b>5,521</b>	1,010
Attributable to:			
Owners of the Company		5,834	1,418
Non-controlling interests		(313)	(408)
		5,521	1,010
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic (RMB per share)		0.4 cent	0.1 cent
Diluted (RMB per share)		0.4 cent	0.1 cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Profit for the period	5,521	1,010
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange realignment	291	596
Total comprehensive income for the period	5,812	1,606
Attributable to:		
Owners of the Company	6,125	2,014
Non-controlling interests	(313)	(408)
	5,812	1,606



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	154,404	150,049
Investment properties	10	328,000	310,000
Prepaid land lease payments		13,699	13,839
Goodwill		1,515	1,515
Available-for-sale investment	11	12,000	6,000
Prepayment for acquisition of items of property, plant and equipment		1,042	1,904
Intangible assets		25,607	22,433
Investments in associates	12	47,237	–
Investments in joint ventures		27,692	26,208
Deferred tax assets		1,779	2,294
Conversion option embedded in preferred shares		7,481	9,242
Conversion option embedded in convertible notes		28,521	32,176
Debt portion of convertible notes		30,196	30,004
Deposit for acquisition of an investment		1,568	3,000
Total non-current assets		680,741	608,664
<b>CURRENT ASSETS</b>			
Trade receivables	13	15,760	32,216
Prepayments, deposits and other receivables		18,392	14,260
Financial assets at fair value through profit or loss	14	3,465	443
Restricted cash balances		387	3,885
Cash and cash equivalents		399,317	316,458
Total current assets		437,321	367,262
<b>CURRENT LIABILITIES</b>			
Trade payables	15	33,293	35,391
Other payables and accruals		45,732	71,540
Tax payable		5,016	6,804
Deferred income		7,294	8,758
Total current liabilities		91,335	122,493
<b>NET CURRENT ASSETS</b>		345,986	244,769
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,026,727	853,433
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		49,860	45,360
Deferred income		7,745	9,662
Total non-current liabilities		57,605	55,022
Net assets		969,122	798,411
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	16	14,176	11,914
Reserves		955,625	786,863
<b>Non-controlling interests</b>		969,801 (679)	798,777 (366)
Total equity		969,122	798,411

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Note	Attributable to owners of the Company														
	Issued capital (Unaudited) RMB'000	Shares held under			Merger reserve (Unaudited) RMB'000	Surplus contributions (Unaudited) RMB'000	Employee share-based compensation reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve funds (Unaudited) RMB'000	Reserve fund (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
		Share premium account (Unaudited) RMB'000	Share award scheme (Unaudited) RMB'000	Share											
		Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Share award scheme (Unaudited) RMB'000											
At 1 January 2015	11,914	450,770	(5,324)	29,135	10,522	24,415	(7,388)	9,173	21,701	4,422	249,437	798,777	(366)	798,411	
Profit for the period	-	-	-	-	-	-	-	-	-	-	5,834	5,834	(313)	5,521	
Other comprehensive income for the period:															
Exchange realignment	-	-	-	-	-	-	291	-	-	-	-	291	-	291	
Total comprehensive income for the period	-	-	-	-	-	-	291	-	-	-	5,834	6,125	(313)	5,812	
Placement of new shares	16	2,257	162,493	-	-	-	-	-	-	-	-	164,750	-	164,750	
Share issue expenses	16	-	(2,571)	-	-	-	-	-	-	-	-	(2,571)	-	(2,571)	
Exercise of share options	16	5	547	-	-	(129)	-	-	-	-	-	423	-	423	
Equity-settled share-based payment arrangements		-	-	-	-	2,297	-	-	-	-	-	2,297	-	2,297	
Transfer of reserve upon the forfeiture or expiry of share options		-	-	-	-	(342)	-	-	-	-	342	-	-	-	
Employee share award scheme: - release of award shares		-	-	67	-	(67)	-	-	-	-	-	-	-	-	
At 30 June 2015		14,176	611,239*	(5,257)*	29,135*	10,522*	26,174*	(7,097)*	9,173*	21,701*	4,422*	255,613*	969,801	(679)	969,122

\* These reserve accounts comprise the consolidated reserves of RMB955,625,000 (31 December 2014: RMB786,863,000) in the consolidated statement of financial position.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Issued capital (Unaudited) RMB'000	Shares held under		Merger reserve (Unaudited) RMB'000	Surplus contributions (Unaudited) RMB'000	Employee share-based		Exchange fluctuation reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve funds (Unaudited) RMB'000	Reserve fund (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
		Share premium account (Unaudited) RMB'000	share award scheme (Unaudited) RMB'000			compensation reserve (Unaudited) RMB'000								
At 1 January 2014	11,914	450,770	(5,806)	29,135	10,522	21,833	(5,733)	10,833	21,672	4,422	237,565	787,127	(1,241)	785,886
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,418	1,418	(408)	1,010
Other comprehensive income for the period:														
Exchange realignment	-	-	-	-	-	-	596	-	-	-	-	596	-	596
Total comprehensive profit for the period	-	-	-	-	-	-	596	-	-	-	1,418	2,014	(408)	1,606
Equity-settled share-based payment arrangements	-	-	-	-	-	1,504	-	-	-	-	-	1,504	-	1,504
Transfer of reserve upon the forfeiture or expiry of share options	-	-	-	-	-	(1,089)	-	-	-	-	1,089	-	-	-
Employee share award scheme:														
- release of award shares	-	-	151	-	-	(151)	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	-	46	-	(46)	-	-	-
At 30 June 2014	11,914	450,770	(5,655)	29,135	10,522	22,097	(5,137)	10,833	21,718	4,422	240,026	790,645	(1,649)	788,996

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash used in operations	(7,805)	(17,800)
Tax paid	(1,525)	(428)
Net cash flows used in operating activities	(9,330)	(18,228)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale investment	(6,000)	(6,000)
Purchases of items of property, plant and equipment	(16,979)	(13,223)
Purchases of financial assets at fair value through profit or loss	(3,000)	(70,500)
Proceeds from disposal of financial assets at fair value through profit or loss	–	10,000
Interest received	4,060	4,761
Decrease in restricted cash	3,498	7,897
Increase in short term time deposits with original maturity of more than three months	–	(51,203)
Deposit for acquisition of convertible notes	–	(20,000)
Purchases of shareholdings in associates	(45,000)	–
Other cash flows used in investing activities	(7,283)	–
Net cash flows used in investing activities	(70,704)	(138,268)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	423	–
Proceeds from placement of shares	164,750	–
Share issue expenses	(2,571)	–
Net cash flows from financing activities	162,602	–
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of year	316,458	449,157
Effect of foreign exchange rate changes, net	291	596
CASH AND CASH EQUIVALENTS AT END OF PERIOD	399,317	293,257
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	181,096	267,375
Time deposits with original maturity of less than three months when acquired	218,221	25,882
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	399,317	293,257

# NOTES TO CONDENSED CONSOLIDATED 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

The provision of property investment business has been one of the businesses of the Group since 2014. During the period, the board of directors of the Company resolved that resources will continuously be deployed to such business and accordingly, the provision of property investment business is redesignated by the board of directors as one of the principal activities of the Group. Other than this change, there were no significant changes in the nature of the Group’s principal activities.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014, except in relation to the following revised International Financial Reporting Standards, (“IFRSs”, which also include IASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of IFRSs
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of IFRSs

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

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. OPERATING SEGMENT INFORMATION

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

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

During the period, as mentioned in note 1 above, the board of directors of the Company has resolved that resources would continuously be deployed to the provision of property investment business and accordingly, the provision of property investment business is redesignated by the board of directors as one of the principal activities of the Group. The results of the provision of property investment business are also separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the six months ended 30 June 2014 has been restated to reflect this change of segment composition.

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, corporate and other unallocated income and expenses, and share of profits and losses of associates and joint ventures are excluded from such measurement.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)
Segment net revenue	44,708	114,042	21,897	7,522	66,605	121,564
Cost of services provided	(35,513)	(84,443)	(6,731)	(4,503)	(42,244)	(88,946)
Gross profit	9,195	29,599	15,166	3,019	24,361	32,618
Segment results	(105)	7,810	33,166	10,944	33,061	18,754
Reconciliation:						
Bank interest income					4,060	4,761
Corporate and other unallocated income and expenses, net					(16,171)	(18,708)
Share of profits and losses of:						
Associates					(9,762)	(2,818)
Joint ventures					(916)	49
Profit before tax					10,272	2,038
Income tax expense					(4,751)	(1,028)
Profit for the period					5,521	1,010

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 of the Group are located outside the PRC.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value and estimated value of services rendered.

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

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000 (Restated)
<b>Digital entertainment</b>		
Music-based entertainment	8,832	50,994
Game-related revenue	36,050	64,441
<b>Sub-total</b>	<b>44,882</b>	115,435
<b>Property investment</b>		
Rental and management fee income	23,025	7,933
	67,907	123,368
Less: Business tax	(1,302)	(1,804)
Net revenue	66,605	121,564
<b>Other income and gains, net</b>		
Bank interest income	4,060	4,761
Imputed interest income	9,191	2,778
Fair value gains on investment properties	18,000	7,924
Foreign exchange differences, net	50	186
Others	168	14
	31,469	15,663

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Depreciation	3,381	833
Amortisation of intangible assets	5,311	2,488
Amortisation of prepaid land lease payments	162	158
Foreign exchange differences, net	50	186
Fair value loss on conversion option embedded in preferred shares	1,761	–
Fair value loss on conversion option embedded in convertible notes	3,655	–
Fair value (gain)/loss on financial assets at fair value through profit or loss	(22)	638
Write-back of impairment of other receivable	–	(1,500)

### 6. INCOME TAX EXPENSE

An analysis of income tax charges for the six months ended 30 June 2015 and 2014 is shown as follows:

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Current – PRC		
Charge for the period	–	–
Overprovision in the prior year	(264)	(225)
Deferred	5,015	1,253
Total tax charge for the period	4,751	1,028

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 2015 and 2014, 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.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

### 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the six months ended 30 June 2015 is based on the profit for the period attributable to equity holders of the Company of RMB5,834,000 (six months ended 30 June 2014: RMB1,418,000) and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2015 of 1,525,305,770 (six months ended 30 June 2014: 1,406,051,125).

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit for the period attributable to equity holders of the Company of RMB5,834,000 (six months ended 30 June 2014: RMB1,418,000) as used in the basic earnings per share calculation.

The weighted average number of ordinary shares used in the calculation is 1,525,305,770 (six month ended 30 June 2014: 1,406,051,125) ordinary shares in issue less shares held under the share award scheme during the six months ended 30 June 2015, as used in the basic earnings per share calculation, and the weighted average of 8,237 (six months ended 30 June 2014: 23,107,408) ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB7,905,000 (six months ended 30 June 2014: RMB2,384,000). There were disposals or write-off of property, plant and equipment of RMB169,000 (six months ended 30 June 2014: RMB200,000) during the six months ended 30 June 2015.

### 10. INVESTMENT PROPERTIES

	Completed (Unaudited) RMB'000	Under construction (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January 2014	–	210,800	210,800
Additions	–	11,879	11,879
Transfers	222,679	(222,679)	–
Fair value gain on investment properties	87,321	–	87,321
At 31 December 2014 and 1 January 2015	<b>310,000</b>	–	<b>310,000</b>
Fair value gain on investment properties	<b>18,000</b>	–	<b>18,000</b>
At 30 June 2015	<b>328,000</b>	–	<b>328,000</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10. INVESTMENT PROPERTIES (CONTINUED)

The Group's completed investment properties are situated in Mainland China.

The Group's completed investment properties were revalued on 30 June 2015 based on valuations performed by Grant Sherman Appraisal Limited, independent professionally qualified valuers.

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

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

Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use. The completed investment properties measured at fair value in the aggregate carrying amount of RMB328,000,000 and RMB310,000,000 as at 30 June 2015 and 31 December 2014, respectively, are subject to restrictions on sale and transfer.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2015 (Unaudited): Recurring fair value measurement for:				
Commercial building	–	–	328,000	328,000
As at 31 December 2014 (Audited): Recurring fair value measurement for:				
Commercial building	–	–	310,000	310,000

During the current period and prior year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 10. INVESTMENT PROPERTIES (CONTINUED)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			30 June 2015	31 December 2014
Commercial building (Completed)	Income approach (refer above)	Estimated rental value (per sq.m. and per month)	RMB109	RMB108
		Rental growth rate (per annum)	5.0%	5.0%
		Discount rate	9.9%	10.3%

A significant increase/(decrease) in the estimated rental value per square meter and the rental growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental growth rate per annum and the discount rate.

### 11. AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2015, the available-for-sale investment of RMB12 million (2014: RMB6 million) represented the subscription of approximately 6% interest of Qingsong Fund II pursuant to a partnership agreement dated 24 January 2014 entered into between other partners and Shenzhen Zhangyi Tianxia Technology Company Limited, a wholly-owned subsidiary of the Company, for a total investment of RMB20 million. Qingsong Fund II is mainly investing in the mobile Internet and Internet industry and is focusing on creative enterprises at their initial stage of foundation and/or their early and medium stage of development within the industry.

### 12. INVESTMENTS IN ASSOCIATES

During the period, the Group mainly acquired 25% equity interest in Guangzhou Qianyun Information Technology Co., Ltd., which is principally engaged in operating HTML5 mobile games platform and 10% equity interest in Xiamen Mengjia Network Technology Co., Ltd., which is principally engaged in developing mobile games, for a total cash consideration of RMB25 million and RMB20 million, respectively.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 13. TRADE RECEIVABLES

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>Neither past due nor impaired:</b>		
Within 1 month	3,274	10,479
Over 1 month but less than 2 months	3,472	9,870
Over 2 months but less than 3 months	1,993	2,070
Over 3 months but less than 4 months	1,384	2,297
<b>Past due but not impaired:</b>		
4 to 6 months	1,152	4,267
Over 6 months	4,485	3,233
	<b>15,760</b>	<b>32,216</b>

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.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's unlisted investments represented fund investments and the fair values were based on values quoted by the relevant financial institutions.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15. TRADE PAYABLES

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 1 month	1,127	7,668
1 to 3 months	4,673	11,619
4 to 6 months	9,627	8,906
Over 6 months	17,866	7,198
	<b>33,293</b>	<b>35,391</b>

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

### 16. SHARE CAPITAL

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>Authorised:</b> 3,000,000,000 (2014: 3,000,000,000) ordinary shares of HK\$0.01 each	<b>26,513</b>	26,513
<b>Issued and fully paid:</b> 1,715,192,628 (2014: 1,428,847,128) ordinary shares of HK\$0.01 each	<b>14,176</b>	11,914



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16. SHARE CAPITAL (CONTINUED)

A summary of the transactions during the period from 1 January 2015 to 30 June 2015 in the Company's issued share capital is as follows:

	Notes	Number of issued and fully paid ordinary shares (Unaudited)	Nominal value of ordinary shares (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Equivalent nominal value of ordinary shares (Unaudited) RMB'000	Equivalent share premium (Unaudited) RMB'000	Total (Unaudited) RMB'000
As at 1 January 2015		1,428,847,128	14,290	537,705	11,914	450,770	462,684
Exercise of share options	(a)	577,500	5	693	5	547	552
Placement of new shares	(b)	285,768,000	2,857	205,754	2,257	162,493	164,750
Share issue expenses		–	–	(3,256)	–	(2,571)	(2,571)
<b>As at 30 June 2015</b>		<b>1,715,192,628</b>	<b>17,152</b>	<b>740,896</b>	<b>14,176</b>	<b>611,239</b>	<b>625,415</b>

During the period, the movements in share capital were as follows:

- During the period, a total of 577,500 share options under the share option scheme were exercised at exercise prices ranging from HK\$0.65 to HK\$0.69 per share, for a total cash consideration, before expenses, of HK\$381,000 (equivalent to RMB301,000).
- On 16 April 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent places to subscribe an aggregate of 285,768,000 ordinary shares of the Company at a price of HK\$0.73 each.

The placing was completed on 27 April 2015 and the Group raised a total of approximately HK\$208.6 million (equivalent to RMB164.8 million), before expenses.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17. SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme during the period:

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2014	1.60	10,819
Granted during the period	0.66	39,017
Forfeiture during the period	1.87	(1,455)
At 30 June 2014	0.83	48,381
At 1 January 2015	<b>0.83</b>	<b>47,204</b>
Granted during the period	<b>1.04</b>	<b>4,808</b>
Forfeiture during the period	<b>1.30</b>	<b>(773)</b>
Exercised during the period	<b>0.66</b>	<b>(578)</b>
At 30 June 2015	<b>0.85</b>	<b>50,661</b>

At the end of the reporting period, the Company had 50,661,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 50,661,000 additional ordinary shares of the Company and additional share capital of HK\$507,000 and share premium of HK\$42,465,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 50,661,000 share options outstanding under the Scheme, which represented approximately 2.76% of the Company's shares in issue as at that date.

For the six months ended 30 June 2015, the fair value of the share options granted was RMB2,361,000 at RMB0.49 each (six months ended 30 June 2014: RMB10,898,000 at RMB0.28 each). The Group recognised a share option expense of RMB2,297,000 (six months ended 30 June 2014: RMB1,503,000) during the six months ended 30 June 2015 in respect of share options granted in the current and prior periods.

### 18. COMMITMENTS

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for: Investments	<b>8,000</b>	63,500
	<b>8,000</b>	63,500

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's financial instruments are reasonable approximation to their fair values.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value

As at 30 June 2015

	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Investments at fair value through profit or loss	3,465	–	–	3,465
Conversion option embedded in preferred shares	–	–	7,481	7,481
Conversion option embedded in convertible notes	–	–	28,521	28,521
	<b>3,465</b>	<b>–</b>	<b>36,002</b>	<b>39,467</b>

As at 31 December 2014

	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	Total (Audited) RMB'000
Investments at fair value through profit or loss	443	–	–	443
Conversion option embedded in preferred shares	–	–	9,242	9,242
Conversion option embedded in convertible notes	–	–	32,176	32,176
	<b>443</b>	<b>–</b>	<b>41,418</b>	<b>41,861</b>

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the current period and prior year.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 20. COMPARATIVE AMOUNTS

As further explained in notes 1 and 3 to the interim financial information, due to the changes in the designation of principal activities and segment composition, certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

### 21. EVENTS AFTER THE REPORTING PERIOD

- (a) On 13 July 2015, the Company entered into a placing agreement with First Shanghai Securities Limited (the "Placing Agent") pursuant to which, the Placing Agent agreed to procure certain independent places to subscribe an aggregate of 120,000,000 ordinary shares of the Company at a price of HK\$0.57 each.

The placing was completed on 22 July 2015 and the Group raised a total of approximately HK\$68.4 million (equivalent to RMB54.0 million), before expenses.

- (b) On 14 July 2015, 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 (the chairman and an executive director of the Group), pursuant to which the Subscriber agreed to subscribe an aggregate of 680,000,000 new shares of the Company at a price of HK\$0.57 each.

Up to the date of approval the interim financial information, the above subscription was not completed.

### 22. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited Interim Financial Information was approved by the Board on 20 August 2015.



## BUSINESS REVIEW AND OUTLOOK

### Business Review for the first half of 2015

According to the information published by China Internet Network Information Center in July 2015, China's mobile internet population had reached 594 million as at June 2015, representing an increase of 36.79 million as compared with the end of 2014 and had reached 88.9% of the China's internet population. Along with the increasing mobile screen sizes and user experiences on mobile application, mobile phone has further solidated its position as the major access channel to Internet. Among the markets which the Group involves, mobile music and mobile games market continued to grow rapidly.

#### *Prime mobile games publishing platform*

In the first half of 2015, the Group has continued to devote Finger Fun (「指遊方寸」) as a prime mobile games publishing platform.

#### *Strengthening the reserves of mobile games and prime copyrights*

In the first half of 2015, Finger Fun has introduced "Release the General" (「關門放呂布」) and "Blood Impact" (「熱血衝擊」) (temporary names) as our mobile games reserves, which are expected to be published in the second half of the year. Meanwhile, the Group cooperated with several mobile game developers to develop different types of mobile games based on the prime copyright of "Hunger for World Conquest" (「我欲封天」) such as "Hunger for World Conquest HTML5" (「我欲封天HTML5」), "Hunger for World Conquest OL" (「我欲封天OL」), and "Hunger for World Conquest 3D" (「我欲封天3D」). Among which, the development of "Hunger for World Conquest HTML5" (「我欲封天HTML5」) has been completed and a small scale closed beta test has been performed which shown superior performance than the market average. Other products are still in the process of development and expected to be launched in the second half of the year. Finger Fun has been operating extensively on the prime copyrights along with the cooperation with mobile game developers on game development, this operating model could not only recover the purchase cost of copyright and thus reduce the operational risk, but also facilitate the interactive and sustainable development of prime copyrights.

#### *Precise management on mobile games publishing business*

In the first half of 2015, Finger Fun continued to operate "PaPa Three Kingdoms" (「啪啪三國」) on android platforms in China. Our operation team strived to attract existing users and maximize the exposure to new users through four version of updates and over 40 promotion activities, and its total registered users has reached approximately 3.8 million. Benefited from the precise management and early user acquisition, the average monthly turnover of "PaPa Three Kingdoms" (「啪啪三國」) maintained at approximately RMB3 million since its launch for nearly 2 years which is beyond our expectation.

In the first half of 2015, Finger Fun has newly launched three mobile games, including "Arcade Heroes" (「街機群英傳」), "Gods Throne" (「眾神王座」), and "Strategic Three Kingdoms" (「神機三國」) (originally known as "Counselor Save Me" (「軍師救我」)), which were broadly recommended by distribution channels during the promotion period and have started to generate revenues for the Company. Among which, the average monthly turnover of "Strategic Three Kingdoms" has reached millions. The Group continues to operate the game publishing business under precise management strategy through the establishment of strict internal online standard and continuing improvement on below-standard mobile game before its launch. Accordingly, the launch of certain mobile games was postponed which in turn resulted in the lower than expected revenue contributed from the prime mobile game business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Strategic layout through equity investments*

In the first half of 2015, Finger Fun continued to obtain prime mobile games through cooperation with or investment in prime game developers following its strategic layout in overseas game publishing market and HTML5 distribution platform as set out in 2014. The Group invested in a Chinese game developer in early 2015 and its mobile games has been published gradually in different regions and distribution channels during the first half of 2015.

### *Music-based entertainment industry chain based on mobile internet*

China's mobile music commercialization will be accelerated and the music scale will grow steadily with the enhanced music copyright supervision.

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 27 activities during the first half of 2015 with diversified activity styles such as artists or band performances, concerts, fans meeting, press releases, charitable activities and live broadcasts, etc. Artists invited are becoming more international which include Starsailor from England, a famous Korean girls pop group called Stellar, Totfamily from Taiwan and several groups of artists or brands from Hong Kong and Mainland China. Operating models include self-organized activities, facility rental and ticket sharing. We have also provided recording services for over 20 famous artists from Hong Kong and mainland China, including Eric Tsang, Miriam Yeung, G.E.M., Zhang Hengyuan, Chopstick Boys and the candidates of The Voice of China, etc, during the first half of 2015. The Group accumulated rich experiences and the brand of A8Live was broadly promoted through these activities, which provide the Group with solid foundation in exploring future LiveHouse operation and O2O model.

In the first half of 2015, the Group hosted the "SING China's original pop music competition" with Nanshan District Government of Shenzhen. Our online content collection platform A8.com continued to provide services to original music musician which facilitates the development of original music collection and development.

In terms of Duomi music, in the first half of 2015, the National Copyright Administration of the People's Republic of China has strictly regulated music copyrights and certain competitors purchased exclusive copyrights which led to a significant increase in music copyright costs. Under this circumstance, Duomi Music started to explore business transformation in order to reduce the dependence on copyrights and shifted its focus to vertical operation, O2O activities, and fans accessories market. Duomi Music has adopted a new internet+ entertainment business model and devoted to build the largest fans platform in China. During the period, through its precise management on advertisers and optimization of game alliance business, the advertising income and game alliance income of Duomi Music increased significantly by 69% and 116%, respectively, as compared with last corresponding period.

### **A8 Music Building**

A8 Music Building is located near the Central Business District of Nanshan District, Shenzhen, which belongs to the Software Industry Park area. The total building area of A8 Music Building is approximately 50,000 square meters which include commercial office, commercial retail and parking slot areas. A8 Music Building has commenced its commercial operation in the first half of 2014 and has generated income of approximately RMB23 million during the first half of 2015. During the period, considering the continuing and stable contribution from the property investment after its commencement in 2014, the Group re-designated such business as one of the principal business activities from the first half of 2015.

### **Business outlook for the second half of 2015**

The Company has been exploring the industry development of “Internet + Culture” for long time. During the period of the China International Cultural Industry Fair held in the first half of 2015, the Company’s business model was highly appraised by the government officials from national, provincial and regional levels during their visits. Their visits were broadly reported by the mass media which help the Group promoting its brand and increasing our confidence in implementing the Group’s future strategies. In the second half of 2015, the Company will continue to build the music-based entertainment industry chain and prime game publishing platform.

#### ***Prime games publishing platform***

##### ***Strengthening the reserve of mobile game products and prime copyrights***

Finger Fun has benefited from its advanced layout in prime copyrights following the continuing popularity of prime copyright market, and will continue to strengthen its copyright reserve and to maximize the values of copyright through deeper excavation in the second half of 2015. Finger Fun has introduced a Multiplayer Online Battle Arena (“MOBA”) mobile game “Peak Throne” (「巔峰王座」) (temporary name) in July 2015 as a product reserve. Meanwhile, we have also obtained the Role-playing game (“RPG”) mobile game edition rights of an animated comics “Monster Record” (「虎X鶴妖師錄」), which ranked top 5 of Class S animated comics and a simulation game edition rights of “Visit the Queen” (「拜見女皇陛下」), which ranked top 10 of Class S animated comics in the largest online original animated comic website (www.u17.com) (「有妖氣」) in China.

##### ***Precise management on mobile game publishing business***

In the second half of 2015, Finger Fun will continue to operate “PaPa Three Kingdoms” (「啪啪三國」) on android platforms, and plan to launch several mobile games such as “Hunger for World Conquest HTML5” (「我欲封天HTML5」), “Hunger for World Conquest OL” (「我欲封天OL」), “Release the General” (「關門放呂布」) and “Blood Impact” (「熱血衝擊」). In the second half of 2015, Finger Fun will solidify its status in the industry through timely response, precise operation, strong distribution channel and accurate market promotion strategies. Main measures include: (1) timely response to speed up launch time which help occupying the market, reducing the costs of errors and achieving profits; (2) precise operation on existing users to increase their payment ratio and ARPU so as to maintain profit generating power of prime games and extend their lifespan; (3) exploration of innovated products focusing on segment market.

##### ***Music-based entertainment industry chain based on mobile internet***

In the second half of 2015, the Company will continue to develop our music performance business on A8Live, reinforce the branding promotion and strengthen its industry influence. More international well-known artists will be invited to perform in A8Live, which include Lacrimosa, a leading global Gothic metal band, Lee Ritenou, a world legendary guitar master, Darin Zanyar, a well-known Swedish singer, Children of Bodom, a Finnish heavy metal band, as well as Wong Cho Lam from Hong Kong. The Company will also integrate the online and offline resources from A8Live and A8.com platforms to collect, select and produce high quality contents, create our own copyrights and monetize them through online distribution platforms based on the accumulated performance resources from A8Live, technical crews, professional studio equipment and A8.com original music platform. Self-produced contents will become more diversified, which include different types of online live broadcasts and recording and artist interviews, etc.



## MANAGEMENT DISCUSSION AND ANALYSIS

Duomi Music will continue its business transformation in the second half of 2015 to shift its focus to vertical operation, O2O activities, and fans accessories market. Duomi Music has adopted a new internet+ entertainment business model and devoted to build the largest fans platform in China, which includes: (1) Fans platform: devoted to build the largest fans interaction platform in China which has been launched in August 2015; (2) Duomi Music: transformed into a vertical, personalized and intelligent platform based on the interaction with fans services and its solid technical background, and to provide more vertical and high quality services to users to facilitate the building of the largest fans platform; (3) Asian Idol Campaign: an entertainment program initiated by Duomi Music and co-developed with Shenzhen Media Group and iQIYI, the program will be broadcasted and distributed through online and offline media with comprehensive overlap and interaction during promotion; (4) Fans accessories market: co-develop the Swarovski anniversary crystal earphone with Swarovski Group and plan to launch celebrity customized fans accessories through corporation with well-known artists and popular brands. Duomi Music will position itself as the most interactive music platform, a fans platform with the richest content and the most comprehensive advertisement platform.

### ***Strategic Layout through Equity Investment***

As of the date of this report, the Company has completed two placing during the period and a subscription is still subject to approval by the independent shareholders. If such subscription is successfully approved and completed, the proceeds obtained during the year in aggregate will be approximately HK\$659.3 million which will be utilised for financing future investment of the Group as and when opportunities arise. Such investments are expected to comprise, principally projects relating to the companies engaged in mobile games industry chain and/or online to offline music industry chain. The Company intends to capture the increased demand in both the mobile game and mobile music markets by means of strategic expansion in upstream or downstream of the industry chain such as mobile game developer, mobile game related intelligence property content developer/platform, music content developer/platform, online distribution channel and other cultural and entertainment platform, etc.

### ***A8 Music Building***

In the second half of 2015, the Group will continue to enhance the property management level of the building and to provide better services to our tenants in order to contribute a consistent and stable cash flow for the Group.





## FINANCIAL REVIEW

During the period, considering the continuing and stable contribution from the property investment after its commencement in 2014, the Group re-designated such business as one of the principal business activities, together with the digital entertainment service business which engages in the provision of music-based entertainment and game-related services.

### Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2015, the revenue of the Group amounted to approximately RMB67.9 million, representing a decrease of approximately 45.0% as compared with the corresponding period in 2014 (2014: approximately RMB123.4 million, as restated).

#### *Digital entertainment services*

For the six months ended 30 June 2015, the revenue of digital entertainment services of the Group amounted to approximately RMB44.9 million, representing a significant decrease of approximately 61.1% as compared with the corresponding period in 2014 (2014: approximately RMB115.4 million). The decrease was resulted from the shrunken of the traditional wireless music-based entertainment services following the strategic transformation of the Company to dispose certain traditional wireless value-added business as disclosed in the 2012 annual report, and the delay in launching several mobile games which resulted in lower than expected performance of the mobile game publishing business.

#### *Property investment business*

For the six months ended 30 June 2015, the revenue of property investment business derived from the rental and management fee amounted to approximately RMB23.0 million, representing a significant increase of approximately 191.1% as compared with the last corresponding period (2014: approximately RMB7.9 million). The increase was mainly due to the high occupancy rate and high quality property management service after its commencement in 2014.

For the six months ended 30 June 2015, the profit attributable to equity holders of the Company amounted to approximately RMB5.8 million (2014: approximately RMB1.4 million). The increase was mainly due to the increase of profit contributed from the property investment business that comprised of its operating profit and fair value gain of approximately RMB22.2 million in aggregate, which were partly offset by the increase in share of losses of associates, fair value loss of conversion option embedded in convertible notes and preferred shares in aggregate and income tax expenses derived from deferred tax liabilities amounted to approximately RMB7.0 million, RMB5.4 million and RMB3.8 million, respectively.

### Cost of services provided

For the six months ended 30 June 2015, the cost of services provided of the Group amounted to approximately RMB42.2 million, representing a decrease of approximately 52.5% as compared with the corresponding period in 2014 (2014: approximately RMB88.9 million, as restated).

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Digital entertainment services**

For the six months ended 30 June 2015, the cost of services provided of digital entertainment services amounted to approximately RMB35.5 million, decreased by approximately 57.9% as compared with the corresponding period in 2014 (2014: approximately RMB84.4 million). It mainly comprises revenue shared with mobile operators, distribution channels, business alliances and other costs such as music copyrights, game publishing rights and direct labor costs.

Revenue shared with mobile operators and distribution channels mainly ranged from 30% to 50% of total digital entertainment services revenue received from mobile users and it averaged at approximately 45.6% for the six months ended 30 June 2015 (2014: approximately 44.6%), while revenue shared with business alliances averaged at approximately 23.9% of total digital entertainment services revenue for the six months ended 30 June 2015 (2014: approximately 22.6%). Both slight increases of the average cost ratios were mainly due to the change in product mix.

### **Property investment business**

For the six months ended 30 June 2015, the cost of services provided of property investment business amounted to approximately RMB6.7 million, increased by approximately 48.9% as compared with the corresponding period in 2014 (2014: approximately RMB4.5 million). It mainly comprised of employee's compensation, utility charges and other maintenance costs in relation to the investment property.

### **Gross profit**

For the six months ended 30 June 2015, the gross profit of the Group amounted to approximately RMB24.4 million, representing a decrease of approximately 25.2% as compared with the corresponding period in 2014 (2014: approximately RMB32.6 million, as restated). The overall gross margin ratio of the Group was approximately 35.9%, as compared with approximately 26.4% as restated for the last corresponding period. The increase of gross profit margin ratio was mainly attributable to the contribution from the property investment business which generated a higher gross profit margin for the six months ended 30 June 2015.

### **Other income and gains, net**

For the six months ended 30 June 2015, the other income and gains of the Group were approximately RMB31.5 million, as compared with a net gain of approximately RMB15.7 million as restated for the last corresponding period, representing a significant increase of approximately 100.6%.

The sharp increase was mainly due to the increase in fair value gain on investment properties and the imputed interest income generated from the preferred shares and convertible notes amounted to approximately RMB10.1 million and RMB6.4 million, respectively.

### **Selling and marketing expenses**

For the six months ended 30 June 2015, the selling and marketing expenses of the Group amounted to approximately RMB8.3 million, decreased by 62.8% as compared with the corresponding period in 2014, representing approximately 18.5% of the digital entertainment services revenue (2014: approximately RMB22.3 million, representing approximately 19.3% of digital entertainment services revenue). The decrease in selling and marketing expenses and its ratio to the related revenue were mainly due to the decrease in marketing and promotion expenses amounted to approximately RMB13.6 million resulted from the shrunken of the traditional wireless music-based entertainment services.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative expenses

For the six months ended 30 June 2015, the administrative expenses of the Group amounted to approximately RMB21.1 million, while it was approximately RMB20.6 million as restated for the corresponding period in 2014.

## Other expenses, net

For the six months ended 30 June 2015, other expenses, net of the Group amounted to approximately RMB5.5 million, while it was approximately RMB0.5 million in the last corresponding period. The significant increase was due to increase of the fair value loss on conversion option embedded in preferred shares and convertible notes issued by Duomi Music amounted to approximately RMB5.4 million in aggregate.

## Share of losses of associates

For the six months ended 30 June 2015, the Group shared losses of associates amounted to approximately RMB9.8 million, representing a significant increase as compared with approximately RMB2.8 million in the last corresponding period, which mainly represented the increase in share of loss of Duomi Music. In the last corresponding period, the loss of Duomi Music to be shared by the Group had exceeded the aggregate amount of investment cost in Duomi Music and debt portion of the preferred shares, and hence, the Group discontinued recognizing its shares of further losses after RMB2.8 million. In the current period, the Group recognized the full amount of losses to be shared of Duomi Music from the investment cost related to the subscription of convertible note issued by Duomi Music which was completed on 28 July 2014.

## Tax

For the six months ended 30 June 2015, income tax of the Group amounted to approximately RMB4.8 million, as compared with approximately RMB1.0 million for the corresponding period in 2014.

The effective tax rate of the Group was approximately 46.3% in the six months ended 30 June 2015 (2014: approximately of 50.4%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 15% and 25% in the respective operating subsidiaries of the Group in 2015. The tax expense for the current period was mainly derived from the deferred tax liabilities in relation to the appreciation of investment property of approximately RMB4.5 million.

## Non-current assets

As at 30 June 2015, the total non-current assets of the Group amounted to approximately RMB680.7 million (2014: approximately RMB608.7 million), increased by approximately RMB72.0 million. The increase was mainly due to the increase in investments in associates, fair value increase of investment properties and additional investment in available-for-sale investment amounted to approximately RMB47.2 million, RMB18.0 million and RMB6.0 million, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Current assets and current liabilities

As at 30 June 2015, the total current assets of the Group amounted to approximately RMB437.3 million (2014: approximately RMB367.3 million). The increase was mainly due to the increase of cash and cash equivalents amounted to approximately RMB82.9 million, resulted from the net proceeds from the placing of new shares completed on 27 April 2015 amounted to approximately RMB162.2 million, which partly offset by the net cash outflow from investing activities and operating activities of approximately RMB70.7 million and RMB9.3 million, respectively. Accounts receivable amounted to approximately RMB15.8 million (2014: approximately RMB32.2 million), and the turnover days of accounts receivable was approximately 64 days (2014: approximately 65 days, as restated).

As at 30 June 2015, the total current liabilities of the Group amounted to approximately RMB91.3 million (2014: approximately RMB122.5 million). The decrease was mainly resulted from the decrease in other payables and accruals amounted to approximately RMB25.8 million, which was mainly related to the settlement of construction cost of A8 building.

### Liquidity and financial resources

As at 30 June 2015, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss amounted to approximately RMB403.2 million (2014: approximately RMB320.8 million). Approximately RMB304.0 million or approximately 75% of them were denominated in RMB.

As at 30 June 2015, the Group did not have any borrowings or debts. Accordingly, the gearing ratio which is measured by the net borrowings over the total assets is not applicable.

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 2015, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

### Human resources

As at 30 June 2015, the Group had 174 employees (as at 30 June 2014: 174 employees). However, the average headcounts of the period was 162 while it was 184 for the corresponding period in 2014. Total employee costs for the six months ended 30 June 2015, including directors' emoluments, amounted to approximately RMB16.0 million (2014: approximately RMB17.5 million).

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.



## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the Directors and chief executives of the Company and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules and the Company's own code of conduct regarding Directors' dealings in the Company's securities ("Own Code"):

#### Long positions in shares of the Company

Name of Director	Nature of interest	Number of shares		Approximate percentage of interest in the Company's issued share capital <sup>(1)</sup>
		Ordinary shares	Underlying Shares (under equity derivatives of the Company)	
Mr. Liu Xiaosong	Founder of trust <sup>(2)</sup>	510,991,398 <sup>(3)</sup>	Nil	29.79%
	Beneficial Owner	5,766,000	13,004,910 <sup>(4)</sup>	1.09%
Mr. Liu Pun Leung	Beneficial Owner	Nil	5,000,000 <sup>(4)</sup>	0.29%
Mr. Chan Yiu Kwong	Beneficial Owner	105,000	315,000 <sup>(4)</sup>	0.02%
Ms. Wu Shihong	Beneficial Owner	Nil	420,000 <sup>(4)</sup>	0.02%
Mr. Song Ke	Beneficial Owner	Nil	420,000 <sup>(4)</sup>	0.02%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 June 2015 (i.e. 1,715,192,628 Shares).
- Mr. Liu Xiaosong is the founder of a family trust which is deemed under SFO to be interested in all the shares held by Ever Novel Holdings Limited ("Ever Novel") and Prime Century Technology Limited ("Prime Century") in the Company. As at 30 June 2015, Prime Century directly held 369,360,303 shares and Ever Novel directly held 141,631,095 shares in the Company.
- On 14 July 2015, the Company and Ever Novel entered into the Subscription Agreement, pursuant to which a total of 680,000,000 Shares will be issued to the Subscriber by the Company. Upon Completion, Mr. Liu Xiaosong will hold a total of 1,190,991,398 shares in the Company as the founder of a family trust.
- Details of share options held by the Directors are shown in the section of "Share Option Schemes".

## DISCLOSURE OF INTERESTS

### Long positions in associated corporations of the Company

Name of associated corporation	Name of Director	Nature of Interest	Registered capital/no. of shares held	Approximate percentage of interest
Huadong Feitian <sup>(1)</sup>	Mr. Liu	Beneficial owner	RMB21,510,000 <sup>(3)</sup>	75%
Duomi Music <sup>(2)</sup>	Mr. Liu	Interest of controlled corporation	35,435,640 <sup>(4)</sup>	30.13%

Notes:

1. Huadong Feitian is a limited liability company incorporated in the PRC whose financial results are, through a number of structure contracts, consolidated into the financial statements of the Company and therefore an associated corporation of the Company.
2. Duomi Music is a company incorporated in the Cayman Islands with limited liability. As at 30 June 2015, the Company was interested in approximately 42.73% of the issued share capital of Duomi Music (assuming after full conversion of the Preferred A share and no ESOP has been exercised) through its wholly-owned subsidiary, Phoenix Success Limited, and therefore Duomi Music is an associated corporation of the Company. Mr. Liu, through his wholly-owned company, Fortune Light Investments Limited ("Fortune Light"), held approximately 30.13% of the issued share capital of Duomi Music.
3. This represents the amount of registered capital of Huadong Feitian held by Mr. Liu.
4. This represents the number of shares of Duomi Music held by Mr. Liu.

Save as disclosed, as at 30 June 2015, none of the Directors, chief executives and their respective associates had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.



## DISCLOSURE OF INTERESTS

### SHARE OPTION SCHEMES

On 26 May 2008, the shareholders of the Company adopted share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to its Directors, executive officers, employees and other eligible persons.

The following table discloses movements in the Company’s share options outstanding under the Share Option Scheme during the last six months ended 30 June 2015:

Name/category of participants	At 1 January 2015	Exercised during the period	Granted during the period	Lapsed/ forfeited during the period	At 30 June 2015	Date of grant of share options	Vesting period of share options	End of exercise period	Original exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
<b>Directors of the Company</b>										
Mr. Liu Xiaosong	8,197,310	-	4,807,600	-	13,004,910					
Including:	597,310	-	-	-	597,310	5 October 2009	One-third of the share options granted will be vested every 12-month period starting from 5 October 2010	26 May 2018	2.4156	2.98
	7,600,000	-	-	-	7,600,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
	-	-	4,807,600	-	4,807,600	14 May 2015	One-fourth of the Share Options will be vested every 12-month period starting from 14 May 2016	14 May 2022	1.04	1.04
Mr. Liu Pun Leung	5,000,000	-	-	-	5,000,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 15 October 2015	23 April 2021	0.65	0.65

## DISCLOSURE OF INTERESTS

Name/category of participants	At 1 January 2015	Exercised during the period	Granted during the period	Lapsed/ forfeited during the period	At 30 June 2015	Date of grant of share options	Vesting period of share options	End of exercise period	Original exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
Mr. Chan Yiu Kwong	420,000	105,000*	-	-	315,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
Ms. Wu Shihong	420,000	-	-	-	420,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
Mr. Song Ke	420,000	-	-	-	420,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
<b>Subtotal</b>	<b>14,457,310</b>	<b>105,000</b>	<b>4,807,600</b>	<b>-</b>	<b>19,159,910</b>					
<b>Senior Management of the Group</b>										
	786,900	-	-	-	786,900	25 March 2011	One-fourth of the Share Options will be vested every 12-month period starting from 20 September 2012	24 March 2016	1.8376	2.26
	524,600	-	-	-	524,600	18 August 2011	One-fourth of the Share Options will be vested every 12-month period starting from 9 August 2012	17 August 2016	0.9150	1.27
	3,177,500	-	-	-	3,177,500	24 January 2014	One-fourth of the Share Options will be vested every 12-month period starting from 24 January 2015	24 January 2021	0.684	0.68
	9,222,000	-	-	-	9,222,000	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
<b>Subtotal</b>	<b>13,711,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,711,000</b>					

\* Exercise price was HK\$0.65 and the closing market price per share of the immediately preceding business day on which the options were exercised was HK\$0.97.



## DISCLOSURE OF INTERESTS

Name/category of participants	At 1 January 2015	Exercised during the period	Granted during the period	Lapsed/ forfeited during the period	At 30 June 2015	Date of grant of share options	Vesting period of share options	End of exercise period	Original exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
<b>Other employees and eligible persons of the Group</b>										
	2,888,762	-	-	-	2,888,762	15 October 2008	One-fourth of the Share Options will be vested every 12-month period starting from 15 October 2009	14 October 2018	0.9028	1.15
	321,612	-	-	-	321,612	5 October 2009	one-third of the share options granted will be vested every 12-month period starting from 5 October 2010	26 May 2018	2.4156	2.98
	19,672	-	-	19,672	-	24 December 2009	Minimum of 2 years and maximum of 4 years	26 May 2018	2.4400	3.13
	4,217,782	-	-	393,448	3,824,334	25 March 2011	One-fourth of the Share Options will be vested every 12-month period starting from 25 March 2012	24 March 2016	1.8376	2.26
	2,400,000	150,000	-	-	2,250,000	14 January 2014	One-fourth of the Share Options will be vested every 12-month period starting from 14 January 2015	14 January 2019	0.69	0.66
	9,188,000	322,500	-	360,000	8,505,500	23 April 2014	One-fourth of the Share Options will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
<b>Subtotal</b>	<b>19,035,828</b>	<b>472,500</b>	<b>-</b>	<b>773,120</b>	<b>17,790,208</b>					
<b>TOTAL</b>	<b>47,204,138</b>	<b>577,500</b>	<b>4,807,600</b>	<b>773,120</b>	<b>50,661,118</b>					

## DISCLOSURE OF INTERESTS

During the six months ended 30 June 2015, 4,807,600 share options were granted under the Share Option Scheme, 577,500 share options granted under the Share Option Scheme was exercised and 773,120 share options granted under the Share Option Scheme were lapsed following the resignation of the relevant employees and eligible persons. As at 30 June 2015, there were 50,661,118 outstanding share options under the Share Option Scheme, representing approximately 2.95% of the issued share capital of the Company (i.e. 1,715,192,628 shares).

As at the date of this interim report, there were 50,661,118 outstanding share options under the Share Option Scheme, representing approximately 2.76% of the issued share capital of the Company (i.e. 1,835,192,628 shares).

Supplementary disclosure for Share Option Scheme in 2014 annual report as follows:

During the year ended 31 December 2014, 39,017,500 share options were granted under the Scheme Option Scheme, and no share option granted under the Share Option Scheme was exercised or cancelled. 2,632,129 share options granted under the Share Option Scheme were lapsed following the resignation of the relevant employees and eligible persons. As at 31 December 2014, there were 47,204,138 outstanding share options under the Share Option Scheme, representing an aggregate of approximately 3.30% of the issued share capital of the Company.

The fair value of the share options granted in 2014 was RMB10,898,000 (RMB0.28 each) (2013: Nil). The Group recognised a share option expense of RMB3,860,000 (2013: RMB968,000) during the year ended 31 December 2014 in respect of share options granted in the current and prior years.

The following table discloses the fair value of share options granted to each category of participants in 2014:

	<b>Directors</b>	<b>Senior management</b>	<b>Other employees</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value of share options	4,414	3,362	3,122	10,898

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	31 December 2014
Dividend yield (%)	–
Expected volatility (%)	70.62–72.21
Risk-free interest rate (%)	1.369–1.836
Expected life of options (year)	0.04–3.31
Weighted average share price (HK\$ per share)	0.65–0.69

The expected life of the options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility, which is based on the volatility computed from comparable companies, reflects the assumption that the volatility of comparable companies is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

## SHARE AWARD SCHEME

The Board has approved the adoption of a share award scheme (the “**Share Award Scheme**”) on 16 August 2010 (“**Adoption Date**”) for the purpose of providing incentives and rewards to its Directors, executive officers, employees and other eligible persons. Law Debenture Trust (Asia) Limited (the “**Trustee**”) acts as the trustee for the Share Award Scheme. The Share Award Scheme will operate in parallel with the Company’s Pre-IPO Share Option Scheme and the Share Option Scheme.

During the six months ended 30 June 2015, no awarded shares were granted under the Share Award Scheme, the Trustee has not purchased any of the Company’s existing Shares on the market for the purpose of the Share Award Scheme. 276,750 awarded shares were released to awardees, 60,000 awarded shares were lapsed following the resignations of the relevant employees and eligible persons.

As at the date of this interim report, there were 435,751 awarded shares were released to awardees. As at the date of this interim report, all awarded shares completed the release to awardees under the Share Award Scheme.

## SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at 30 June 2015, the persons or corporations (other than a Director or chief executive of the Company) who have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or have otherwise notified to the Company are as follows:

Name of substantial shareholder	Nature of interest	Number of Ordinary shares (long positions)	Approximate percentage of interest in the Company’s issued share capital (note 1)
HSBC International	Trustee (other than a bare trustee) (note 2)	575,791,398	33.57%
River Road	Interest in controlled corporation (note 2)	510,991,398	29.79%
Knight Bridge	Interest in controlled corporation (note 2)	510,991,398	29.79%
Ever Novel	Interest in controlled corporation (note 3)	369,360,303	21.53%
	Beneficial Owner (note 3)	141,631,095	8.26%
Prime Century	Beneficial Owner (note 3)	369,360,303	21.53%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 June 2015 (i.e. 1,715,192,628 Shares).
- HSBC International Trustee Limited (“HSBC International”) is the trustee of family trusts of Mr. Liu Xiaosong, which, through intermediate holding companies (including but not exclusively River Road Investment Limited (“River Road”), Knight Bridge Holdings Limited (“Knight Bridge”), Ever Novel and Prime Century), exercise or control the exercise of one third or more voting power at the general meetings of such companies and is deemed under the SFO to be interested in the shares of the Company held by such companies (575,791,398 Shares in total).
- As at 30 June 2015, Prime Century directly held 369,360,303 shares and Ever Novel directly held 141,631,095 shares in the Company. Ever Novel was entitled to exercise or control the exercise of one third or more of the voting power at the general meetings of Prime Century and was deemed to be interested in the 369,360,303 shares in the Company held directly by Prime Century.

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any other person or corporation other than the Directors or chief executives of the Company whose interests are set out in the section “Directors’ and chief executives’ interests in shares and underlying shares” above having an interest or short position in the shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company which is required to be recorded pursuant to section 336 of the SFO.



## INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

Due to restrictions in the PRC laws and regulations on foreign investment in businesses providing telecommunications value-added services in the PRC, the Group has entered into a number of contracts (“**Structure Contracts**”) with certain PRC operating companies (“**OPCOs**”) solely for the purpose of operating the Group’s relevant businesses in the PRC (“**Contractual Arrangement**”). The Structure Contracts are designed to provide the Company with effective control over and (to the extent permitted by the PRC laws) the right to acquire the equity interests in and/or assets of the OPCOs. The original contracts relating to the Contractual Arrangement were entered into in 2004. In light of the new requirements of the Stock Exchange and, to keep align with the recent practices commonly adopted by other listed companies in relation to the terms and conditions of the structure contracts to strengthen the control of the Company over the OPCOs, the Group has entered into new contracts to replace its existing Contractual Arrangement in order to align with such new regulatory requirements and the recent practices.

In compliance with the disclosure requirements on the contract-based arrangements or structures pursuant to the updated guidance letter issued by the Stock Exchange (HKEx-GL77-14), the Group provides a summary of the Group’s business which is operated through the OPCOs.

### 1. PARTICULARS OF OPCO AND ITS REGISTERED OWNERS

#### 深圳市華動飛天網絡技術開發有限公司 (“Huadong Feitian”)

Huadong Feitian is a limited liability company established in the PRC on 22 May 2000. The registered shareholders of Huadong Feitian are Mr. Liu Xiaosong (75%) and Ms. Cui Jingtao (25%).

#### 深圳市快通聯科技有限公司 (“Kuitonglian”)

Kuitonglian is a limited liability company established in the PRC on 10 May 2004. The registered shareholders of Kuitonglian are Mr. Zhang Shouqi (80%) and Ms. Ma Hongxia (20%).

#### 深圳市雲海情天文化傳播有限公司 (“Yunhai Qingtian”)

Yunhai Qingtian is a limited liability company established in the PRC on 9 December 2004. The sole registered shareholder is Mr. Cao Aiguo (100%).

### 2. DESCRIPTION OF OPCOS’ BUSINESS

Huadong Feitian and its subsidiaries are principally engaged in the provision of telecommunications instant messaging and value-added services.

Kuitonglian and its subsidiaries are principally engaged in the provision of mobile value-added services.

Yunhai Qingtian and its subsidiaries are principally engaged in the provision of game publishing services and value-added telecommunication services.



## INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

### 3. SUMMARY OF THE MAJOR TERMS OF THE UNDERLYING CONTRACTS OF THE CONTRACTUAL ARRANGEMENT

Several Structure Contracts of similar terms were made:

- (1) between 佳仕域信息科技(深圳)有限公司 (“**Cash River**”) and (i) Huadong Feitian and its registered shareholders, and (ii) Kwaitonglian and its registered shareholders, respectively; and
- (2) between 深圳市指游方寸網絡科技有限公司 (“**Finger Fun**”) Yunhai Qingtian and its registered shareholder,

which allows Cash River/Finger Fun to exercise control and enjoy economic benefit generated from the OPCOs. Each of Cash River and Finger Fun is a wholly-owned subsidiary of the Company.

The major terms of these Structure Contracts are summarised as follows.

#### a. Exclusive Business Cooperation and Service Agreement

The Exclusive Business Cooperation and Service Agreement provides that, among others:

- (1) the parties to the Exclusive Business Cooperation and Service Agreement shall cooperate with each other in technical support, business support and related consultancy services which include but not limited to technical service, business consultation, equipment leasing, market consultation, system integration, product research and development and system maintenance, and intellectual property rights;
- (2) Cash River/Finger Fun shall provide certain technical and business support and the consultancy services to the OPCO in return for the service fee;
- (3) The OPCO shall not have any similar cooperation with any third party;
- (4) The OPCO shall not transfer any of its rights and/or obligations under the Exclusive Business Cooperation and Service Agreement without the prior consent of Cash River/Finger Fun; and
- (5) The OPCO grants Cash River/Finger Fun an irrevocable and exclusive right to purchase, or to designate any person to purchase on its behalf, all or part of its assets and business, including, among others, fixed assets, current assets, intellectual property rights, ownership of equity interests in any person within or outside the PRC and the benefit of all contracts entered into by the OPCO at the lowest purchase price as permitted by the PRC laws.

The Exclusive Business Cooperation and Service Agreement is valid for 20 years from their respective signing date and Cash River/Finger Fun shall be entitled to renew the relevant Exclusive Business Cooperation and Service Agreement by written notice to OPCO.

## INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

### b. Share Disposition and Exclusive Option to Purchase Agreement

Pursuant to the Share Disposition and Exclusive Option to Purchase Agreement:

- (1) the shareholder(s) of the OPCO grants Cash River/Finger Fun an irrevocable and exclusive right to purchase, or designate any person to purchase on its behalf, all or part of their respective equity interests in the respective OPCO, in one or more transfers as determined by Cash River/Finger Fun in its sole discretion at the purchase price(s) of RMB1.00 or such higher amount as required by the PRC laws;
- (2) the shareholder(s) of the OPCO covenants or where applicable, jointly and severally covenant that he/she will, among others, waive his/her right of first refusal or pre-emptive right to acquire any equity interests in the OPCO being transferred by another shareholder of the OPCO; and
- (3) the OPCO covenants that it will, among others, not distribute profits to its shareholders directly or indirectly, not acquire or make any investment in any person without the prior written consent of Cash River/Finger Fun.

Each of the Share Disposition and Exclusive Option to Purchase Agreements shall be effective from their respective date of signing and remain in effect until all the equity interest held by the registered shareholder(s) of the OPCO has been legally transferred to Cash River/Finger Fun or its nominee(s) in accordance with the Share Disposition and Exclusive Option to Purchase Agreement.

### c. Equity Interest Pledge Agreement

Pursuant to the Equity Interest Pledge Agreement:

- (1) the shareholder(s) of the OPCO granted to Cash River/Finger Fun a continuing security interest of first priority and subject to no other encumbrances in their respective equity interests in the OPCO, as collateral security for the prompt and full performance of the OPCO's shareholders' obligations under all the Structure Contracts; and
- (2) the registered shareholder(s) of the OPCO warranted to Cash River/Finger Fun that all appropriate arrangements had been made and all necessary documents had been executed to ensure that none of their successors, guardians, creditors, spouses and other third parties would adversely impact or hinder the enforcement of the Equity Pledge Agreement in the event of death, loss of legal capacity, bankruptcy, divorce or any other situation of the registered shareholder(s) of the OPCO.

## INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

### d. Proxy Agreement

The Proxy Agreement, among other things, provides that:

- (1) the registered shareholder(s) of the OPCO agrees to authorise Cash River/Finger Fun or the person(s) designated by Cash River/Finger Fun to exercise all of their rights and powers as shareholder, including convening and attending the shareholders' meeting, exercising the voting right and other shareholder's rights and powers, without seeking prior consent from the registered shareholder(s) of the relevant OPCO;
- (2) the registered shareholder(s) of the OPCO shall not revoke the authorisation and without the consent of Cash River/Finger Fun, shall not exercise the shareholder's rights and powers;
- (3) the OPCO shall inform Cash River/Finger Fun the relevant information relating to the exercise of the shareholder's rights and shall provide all necessary assistance; and
- (4) the OPCO and their respective registered shareholder(s) shall not be entitled to any indemnity or compensation under the Proxy Agreement.

The Proxy Agreements shall be effective from the date of signing until the registered shareholder(s) of the OPCO ceases to hold equity interests in the OPCO.

All Structure Contracts contain a similar dispute resolution clause which provides that:

- (1) any dispute arising from the interpretation and implementation of the Contractual Arrangement between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission ("SCIA") in Shenzhen for arbitration in accordance with their arbitration rules and the results of the arbitration shall be final and binding on all relevant parties;
- (2) the arbitrators may award remedies over the shares or land assets of OPCO, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of OPCO; and
- (3) the courts of competent jurisdictions have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of Cayman Islands, the OPCO's place of incorporation, and the place where the Company or OPCO's principal assets are located have jurisdiction for this purpose.

## INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

### 4. REVENUE AND ASSETS SUBJECT TO THE CONTRACTUAL ARRANGEMENTS

The consolidated total revenue, the consolidated total assets and the consolidated total net assets of the OPCOs and their subsidiaries for the period ended 30 June 2015 were approximately RMB67,907,000, RMB598,918,000 and RMB528,107,000 respectively.

The revenue of Huadong Feitian, Yunhai Qingtian and Kuitonglian amounted to approximately RMB31,378,000, RMB31,986,000 and RMB4,543,000 respectively, representing approximately 46.2%, 47.1% and 6.7% of the consolidated total revenue of the Group, respectively.

### 5. RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

The board of directors of the Company wishes to emphasize that the Group relies on the Contractual Arrangements to control and obtain the economic benefits from the OPCOs, which may not be as effective in providing operational control as direct ownership. In addition, if the PRC government finds that the agreements that establish the structure for operating the value-added telecommunication business of the OPCOs in the PRC do not comply with applicable PRC laws and regulations, (e.g. the Circular regarding the Consistent Implementation of the "Stipulations on 'Three Provisions'" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games Xin Chu Lian No.13 [2009], issued by the PRC General Administration for Press and Publication and the PRC State Copyright Administration dated 28 September 2009, which prohibits foreign investors from gaining control over or participating in PRC operating companies' online game operations through indirect way). or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest therein.

A PRC legal opinion has been obtained by the Company, pursuant to which the PRC lawyers confirm that the Structure Contracts under the Contractual Arrangement would not be void under the PRC laws, as the Structure Contracts do not violate any mandatory provisions in PRC laws and regulations nor would be deemed as "concealing illegal intention with a lawful form" and the PRC lawyers are not aware of any online game companies which use the same or similar contractual arrangements as the Company's having been penalised or ordered to terminate operation by PRC authorities claiming that the contractual arrangements constitute control over, or participation in the operation of, online game operating businesses through indirect means.

### 6. MATERIAL CHANGE

Save as disclosed above, as at the date of this report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

### 7. UNWINDING OF STRUCTURE CONTRACTS

As at the date of this report, there is no unwinding of any of the Structured Contracts or failure to unwind when the restrictions that led to the adoption of the Structured Contracts are removed.



### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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

During the period ended 30 June 2015, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

### FUND RAISING ACTIVITIES

On 16 April 2015, the Company and First Shanghai Securities Limited (the "**Placing Agent**") entered into the Placing Agreement, pursuant to which the Company has appointed the Placing Agent to procure, on a best effort basis, Placees to subscribe for up to 285,768,000 Placing Shares at a price of HK\$0.73 per Placing Share. On 27 April 2015, an aggregate of 285,768,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK\$0.73 per Placing Share. The net proceeds from the Placing are approximately HK\$205.3 million, which will be utilised as general working capital and/or future investment of the Group as and when opportunities arise.

### SUBSEQUENT EVENTS

On 13 July 2015, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has appointed the Placing Agent to procure, on a best effort basis, Placees to subscribe for up to 120,000,000 Placing Shares at a price of HK\$0.57 per Placing Share. On 22 July 2015, an aggregate of 120,000,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK\$0.57 per Placing Share. The net proceeds from the Placing are approximately HK\$67 million, which will be utilised for future investment of the Group as and when opportunities arise, with the focus on mobile game industry chain and online to offline music industry chain consolidation.

On 14 July 2015, the Company and Ever Novel Holdings Limited ("the **Subscriber**") entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a total of 680,000,000 Shares at the Subscription Price of HK\$0.57 per Share ("**Subscription Shares**"). The Subscription Shares will be allotted and issued under the Specific Mandate and is subject to the Independent Shareholders' approval. Upon Completion, a total of 680,000,000 Shares will be issued to the Subscriber. The net proceeds from the Subscription will be approximately HK\$387 million, which will be utilised as future investment of the Group as and when opportunities arise, with the focus on mobile game industry chain and online to offline music industry chain consolidation. As at the date of this interim report, the completion of the Subscription Agreement has not yet taken place, and the Subscriber and parties acting in concert with it, taken together directly or indirectly, hold 581,557,398 Shares, representing approximately 31.69% of the existing issued share capital of the Company.

## OTHER INFORMATION

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2015, all the code provisions set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the “**CEO**”) to be performed by different individuals.

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

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

### REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for the six months ended 30 June 2015.

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

Hong Kong, 20 August 2015

