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## **A8 New Media Group Limited**

### **A8新媒體集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 800)**

## **ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2020, the profit attributable to equity holders of the Company amounted to approximately RMB44.7 million, while it was a loss of approximately RMB11.8 million for the corresponding period in 2019.
- For the six months ended 30 June 2020, the gross revenue of the Group amounted to approximately RMB42.5 million, representing a decrease of approximately 29.5% from approximately RMB60.2 million for the corresponding period in 2019.
- For the six months ended 30 June 2020, the overall gross margin ratio of the Group was approximately 75.6%, while it was approximately 38.2% for the corresponding period in 2019.
- Strong balance sheet, with cash and bank balances and highly liquid short-term assets of approximately RMB513.2 million and net assets of approximately RMB1,566.3 million as of 30 June 2020.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020. The unaudited interim condensed consolidated financial information has not been reviewed by the Company’s auditors but they have been reviewed by the audit committee of the Company.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	5	42,451	58,696
Cost of services provided		<u>(10,339)</u>	<u>(35,710)</u>
Gross profit		32,112	22,986
Other income and gains, net	5	30,599	10,051
Selling and marketing expenses		(2,662)	(4,131)
Administrative expenses		(16,334)	(29,309)
Other expenses, net		(11,364)	(21,958)
Finance costs	6	(2,322)	(3,743)
Share of profits and losses of associates, net		<u>15,056</u>	<u>6,003</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	7	<b>45,085</b>	(20,101)
Income tax credit/(expense)	8	<u>(3,181)</u>	<u>4,723</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b><u>41,904</u></b>	<b><u>(15,378)</u></b>
Attributable to:			
Owners of the Company		44,718	(11,778)
Non-controlling interests		<u>(2,814)</u>	<u>(3,600)</u>
		<b><u>41,904</u></b>	<b><u>(15,378)</u></b>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	10		
Basic (RMB per share)		<u>1.66 cents</u>	<u>(0.44 cent)</u>
Diluted (RMB per share)		<u>1.66 cents</u>	<u>(0.44 cent)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>41,904</b>	(15,378)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
<b>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</b>		
Exchange differences on translation of financial statements	<u>25</u>	<u>(190)</u>
<b>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</b>		
Share of other comprehensive loss of an associate	–	(15,122)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	<u>60,048</u>	<u>31,527</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>60,048</u>	<u>16,405</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>60,073</u>	<u>16,215</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>101,977</u>	<u>837</u>
Attributable to:		
Owners of the Company	104,791	4,437
Non-controlling interests	<u>(2,814)</u>	<u>(3,600)</u>
	<u>101,977</u>	<u>837</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

		30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>131,142</b>	135,305
Investment properties		<b>426,000</b>	431,000
Right-of-use assets		<b>13,233</b>	13,758
Goodwill		<b>18,871</b>	18,871
Intangible assets		<b>2,266</b>	2,630
Network films and dramas		–	457
Investments in associates		<b>265,416</b>	250,360
Financial assets at fair value through profit or loss		<b>147,284</b>	127,702
Financial assets at fair value through other comprehensive income		<b>313,478</b>	233,414
Deferred tax assets		<b>888</b>	1,128
		<hr/>	<hr/>
Total non-current assets		<b>1,318,578</b>	1,214,625
<b>CURRENT ASSETS</b>			
Network films and dramas under production		–	3,663
Trade receivables	<i>12</i>	<b>1,856</b>	2,014
Prepayments, other receivables and other assets		<b>17,412</b>	13,872
Financial assets at fair value through profit or loss		<b>5,212</b>	16,739
Restricted cash balances and pledged deposits		<b>184,042</b>	183,009
Cash and cash equivalents		<b>323,971</b>	372,110
		<hr/>	<hr/>
Total current assets		<b>532,493</b>	591,407
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>7,976</b>	8,014
Other payables and accruals		<b>52,115</b>	51,800
Interest-bearing bank borrowings		<b>51,000</b>	130,000
Lease liabilities		<b>771</b>	755
Tax payable		<b>9,919</b>	10,281
		<hr/>	<hr/>
Total current liabilities		<b>121,781</b>	200,850
<b>NET CURRENT ASSETS</b>		<hr/> <b>410,712</b>	<hr/> 390,557
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,729,290</b>	<hr/> 1,605,182

		<b>30 June</b>	31 December
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>132</b>	521
Deferred tax liabilities		<b>161,478</b>	139,066
Deferred income		<b>1,350</b>	2,100
		<u>          </u>	<u>          </u>
Total non-current liabilities		<b>162,960</b>	141,687
		<u>          </u>	<u>          </u>
Net assets		<b>1,566,330</b>	1,463,495
		<u>          </u>	<u>          </u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>14</i>	<b>22,818</b>	22,818
Reserves		<b>1,544,079</b>	1,438,430
		<u>          </u>	<u>          </u>
		<b>1,566,897</b>	1,461,248
<b>Non-controlling interests</b>		<b>(567)</b>	2,247
		<u>          </u>	<u>          </u>
Total equity		<b>1,566,330</b>	1,463,495
		<u>          </u>	<u>          </u>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

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

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

- provision of digital entertainment services
- property investment

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

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the current period’s unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

Except for the amendments to IFRS 3 *Definition of a Business*, which are not relevant to the preparation of the Group’s unaudited interim condensed consolidated financial information, the nature and the impact of the following revised IFRSs are described below:

### **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

## Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 4. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, finance costs (other than interest on lease liabilities) and corporate and other unallocated income and expenses, net are excluded from such measurement.

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

### For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Segment revenue	3,863	22,894	38,588	35,802	42,451	58,696
Cost of services provided	(2,761)	(27,067)	(7,578)	(8,643)	(10,339)	(35,710)
Gross profit	<u>1,102</u>	<u>(4,173)</u>	<u>31,010</u>	<u>27,159</u>	<u>32,112</u>	<u>22,986</u>
<b>Segment results</b>	<u><b>2,507</b></u>	<u><b>(16,105)</b></u>	<u><b>23,332</b></u>	<u><b>22,159</b></u>	<u><b>25,839</b></u>	<u><b>6,054</b></u>
Reconciliation:						
Bank interest income					8,041	7,578
Finance costs (other than interest on lease liabilities)					(2,300)	(3,697)
Corporate and other unallocated income and expenses, net					<u>13,505</u>	<u>(30,036)</u>
<b>Profit/(loss) before tax</b>					<b>45,085</b>	<b>(20,101)</b>
Income tax credit/(expense)					<u>(3,181)</u>	<u>4,723</u>
<b>Profit/(loss) for the period</b>					<u><b>41,904</b></u>	<u><b>(15,378)</b></u>

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

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

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>Revenue from contracts with customers</b>		
Digital entertainment revenue	3,863	22,894
Property management services	7,671	8,012
	<u>11,534</u>	<u>30,906</u>
<b>Revenue from other sources</b>		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	747	787
Other lease payments, including fixed payments	30,170	27,003
	<u>30,917</u>	<u>27,790</u>
	<u>42,451</u>	<u>58,696</u>
<b>Other income and gains, net</b>		
Bank interest income	8,041	7,578
Fair value gains on financial assets at fair value through profit or loss, net	14,515	–
Foreign exchange differences, net	4,963	955
Dividend income from a financial asset at fair value through other comprehensive income	808	–
Others	2,272	1,518
	<u>30,599</u>	<u>10,051</u>



## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on bank loans	2,300	3,697
Interest on lease liabilities	22	46
	<u>2,322</u>	<u>3,743</u>

## 7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Depreciation of property, plant and equipment	4,081	4,568
Depreciation of right-of-use assets	525	547
Amortisation of intangible assets	364	4,234
Amortisation of network films and dramas***	457	16,617
Impairment of intangible assets***	–	6,733
Write-off of trade payables***	–	(7,000)
Write-off of trade receivables*	2,678	–
Write-off of other payables***	(81)	–
Impairment of trade receivables*	24	188
Impairment of financial assets included in prepayments, other receivables and other assets*	–	176
Impairment of network films and dramas under production*	3,663	–
Fair value (gain)/loss on financial assets at fair value through profit or loss**/*	(14,515)	15,267
Changes in fair value of investment properties*	5,000	5,000
Foreign exchange differences, net**	(4,963)	(955)

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

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

\*\*\* Included in “Cost of services provided” on the face of the condensed consolidated statement of profit or loss.

## 8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

An analysis of the income tax charges/(credits) for the six months ended 30 June 2020 and 2019 is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the period	116	115
Current — PRC		
Charge for the period	1,043	581
Overprovision in the prior years	(614)	(593)
Deferred	2,636	(4,826)
Total tax charge/(credit) for the period	<u>3,181</u>	<u>(4,723)</u>

For the six months ended 30 June 2020 and 2019, a subsidiary of the Group was entitled to a preferential tax rate.

## 9. INTERIM DIVIDEND

The board of directors (the “Board”) does not recommend payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## 10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the six months ended 30 June 2020 is based on the profit for the period attributable to equity holders of the Company of RMB44,718,000 (loss for the six months ended 30 June 2019: RMB11,778,000), and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2020 of 2,693,536,000 (six months ended 30 June 2019: 2,693,535,000).

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2020.

For the period ended 30 June 2019, no adjustment had been made to the basic loss per share amount presented in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB16,000 (six months ended 30 June 2019: RMB19,000). There were disposals and/or write-off of property, plant and equipment of RMB97,000 (six months ended 30 June 2019: RMB327,000) during the six months ended 30 June 2020.

## 12. TRADE RECEIVABLES

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Billed		
Within 1 month	4	209
1 to 2 months	78	47
2 to 3 months	68	46
Over 3 months	878	275
	<u>1,028</u>	<u>577</u>
Unbilled	828	1,437
	<u>1,856</u>	<u>2,014</u>

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

## 13. TRADE PAYABLES

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

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
Within 1 month	1	289
1 to 3 months	3	14
4 to 6 months	6	38
Over 6 months	7,966	7,673
	<u>7,976</u>	<u>8,014</u>

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

## 14. ISSUED CAPITAL

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>Authorised:</b>		
3,000,000,000 (31 December 2019: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
<b>Issued and fully paid:</b>		
2,700,886,628 (31 December 2019: 2,700,886,628) ordinary shares of HK\$0.01 each	<u>22,818</u>	<u>22,818</u>

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2020 and 30 June 2020	<u>2,700,886,628</u>	<u>27,009</u>	<u>1,148,150</u>	<u>22,818</u>	<u>966,775</u>	<u>989,593</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. BUSINESS REVIEW AND OUTLOOK

#### **Business review for the first half of 2020**

The Group focus on the pan-entertainment market consisting of online literature, online games, film and television, short videos, music, etc., achieving development and realization of high-quality IP and IP derivatives by the vertical development of IP's long chain, continuously integrates and develops between various sub-sectors. The development of domestic pan-entertainment industry is high speed. Meanwhile, with the improvement of relevant policies, the state's supervision of the industry has become more stringent. The outbreak of the novel coronavirus (“COVID-19”) pandemic posed a challenge to the global business environment. During the reporting period, facing changes in the market environment and regulatory policies, and the impact of the COVID-19 pandemic, the Group adjusted the operating strategies of various business segment actively, strengthened control of project initiation and project risk, enhanced control of cost and expense, as well as adjusted internal resources allocation and projects that fall short of expectation, and took relevant measures to reduce the negative impact of the pandemic on the operation of the property investment business. The Group has taken the above measures and achieved significant results. The Group has turned loss into profit and record a net profit for the six months ended 30 June 2020 of RMB41.9 million.

#### ***Game Business***

Since the approval of the game license restarted in early 2019, the issuance of the number of license has reduced significantly, and the impact of the tightening of the license continues. In the first half of 2020, National Press and Publication Administration issued a total of 582 domestic online game license, which declined by 47% year-on-year. In the context of the industry-related policies continue to give high priority to high-quality original games from leading companies, the Group actively carried out strategic adjustments, and made structural adjustments and optimizations to its online game business line during the reporting period, reduced the scale of game distribution, and focused on game research and development to cope with the increasing competition in the gaming industry.

During the reporting period, the Group's gross revenue from the online game business was mainly derived from a card game “Card Monster” operated by Mu77 (the Group's subsidiary jointly invested with Tencent), a fast-paced, light-strategy casual type of card game. Tencent Aurora is the exclusive agent of “Card Monster” in mainland China. At the same time, another original game “Colossus Knights” (「巨像騎士團」) had been developed by Mu77 was launched in Taiwan, China in June 2020, and it is planned to be launched in mainland China in the second half of 2020. As a steampunk light miniatures type of game, “Colossus Knights” has highly differentiated gameplays. In terms of game content, it provides players versus player's mode, as well as players versus gaming environment mode to meet the needs of different players and convey a “unique” and “fancy” vibe. In addition, “Adventure and Mining” (「冒險與挖礦」), a waiting game has been relaunched by Mu77 and earned a board range of users attention and love again.

### *Film & television production*

“Matchmakers of Great Zhou Dynasty” (「大周小冰人」), the lightly funny idol costume drama developed and produced by A8 Film & Television, was broadcasted online in March 2019 on iQIYI video platform. However, in the same month, the National Radio and Television Administration issued regulations restricting the broadcast of costume dramas, resulting in lower final ratings than the Group expected, it still has revenue distribution currently. During the reporting period, there were no new film or television filmed because of the pandemic. The Group actively adjusted its business in this period, so as to develop high-quality film and television projects in the future.

In addition, as of 30 June 2020, the Group held a total of 29.52% share of the Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司) (“Lanlanlanlan Film & Television”) through capital increase, share acquisition and performance competition. Lanlanlanlan Film & Television is mainly engaged in the business of script writing, script selling and adaptation of scripts and online video content production.

### *Property Investment Business*

During the reporting period, in terms of property investment business, the Group’s gross revenue was derived from the rent and property services income of the National Music Industry Park — A8 Music Building. A8 Music Building is located in the core area of Shenzhen Bay Area. It has a superior location with a total gross floor area of 52,500 square meters. It integrates music performance, office and business services. In the first half of 2020, the property investment business contributed approximately RMB38.6 million in gross revenue (revenue before excluding taxes and surcharges) (“**gross revenue**”) to the Group.

In the first half of 2020, the commercial leasing market became saturated, coupled with the impact of the pandemic, the entire leasing market continued to be sluggish. Facing the challenges, A8 Music Building has actively adopted a number of measures to respond to the pandemic. While organizing the fight against the pandemic, the Group adheres to the business philosophy of “Focusing on customers and demand innovation”, expanded investment promotion, stabilized customers, increased revenue through multiple channels, and reasonably reduced costs. Also, continuously improved service quality and achieved significant results so that the income of the property investment business was limited affected by the market environment and the pandemic.

Relying on the A8 Music Building, the Group’s A8Live is an offline performance brand. Due to the impact of the pandemic, performances have been suspended from 23rd January. In the second half of 2020, A8Live will gradually recover under the circumstance of ensuring safety depend on the pandemic situation and relevant government policies, and actively adopt various measures to improve performance.

## *Online literatures — Beijing Zhangwen*

北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd) (“Beijing Zhangwen”) is mainly engaged in the business of online literature reading and incubation and operation of IP. Beijing Zhangwen mainly operates four literary platforms: Heiyan.com (黑岩網), Ruoxia.com (若夏網) and Lemon Read (檸檬免費小說網). Beijing Zhangwen is engaged in overall copyright operation, adapting literary works into web dramas, television dramas, movies, cartoons, comics and audio works, or authorizing third parties to develop copyrights in various genres.

Sustainable and stable in literature IP copyright operation. For the six months ended 30 June 2020, the revenue generated from copyright operation of Beijing Zhangwen increased by 52% as compared with the corresponding period in 2019. This growth is mainly derived from the development of film and television production and distribution business, audio reading business, comics and third-party reading business.

The number of hours of audio works recorded in Beijing Zhangwen has increased by more than 25,000 compared with the corresponding period last year. Lots of audio novels of Beijing Zhangwen entered top ranking lists of platforms like Himalayan FM (「喜馬拉雅FM」), Irts.me (「懶人聽書」) and Dragonfly FM (「蜻蜓FM」).

Beijing Zhangwen’s numerous comics also entered top ranking lists of Tencent Comic, kuaikanmanhua.com and xiaomingtaiji.com.

The online movie “The big illusion” (「大幻術師」), adopted from “The king of magic” (「魔術王」), a legendary novel of Heiyan.com and mainly invested by Beijing Zhangwen, and released by Beijing Heiyan Planet, the number of appointments reached 180,000. “The big illusion” ranked No.1 of iQIYI’s Online Film Popular Playing List and Soaring List since the first day of its broadcast. As of 21 August 2020, the topic of “The big illusion” in Tik Tok exceeded 340 million, and it occupied the top of Popular Playing List and Box Office List for several days. With a total revenue distribution of more than 12 million, it has become No.1 of iQIYI’s Revenue Distribution in the third quarter and one of the most popular online movies in all video platforms of this year.

Stable development in literature related business and steady growth in third-party distribution business. As at 30 June 2020, the cumulative numbers of registered users of Beijing Zhangwen has maintained approximately compound annual growth rate of 40% for four successive years. Lemon Read, the free reading platform of Beijing Zhangwen launched in 2018, currently has more than 600 thousand active users, maintaining approximately compound annual growth rate of 120% over the past two years. In addition to carrying out online literary reading business on its own platform, Beijing Zhangwen also provides reading services to third-party reading platforms through agency and authorization. In the first half of 2020, the third-party authorization business grew steadily. With the original distribution channels such as China Literature (「閱文集團」), Ali Literature (「阿裡文學」), iReader (「掌閱文學」), Chasing Artifacts (「追書神器」), Zongheng Literature (「縱橫文學」), Toutiao.com (「今日頭條」), Baidu Cloud (「百度雲」), Migu Culture (「咪咕文化」) in hand, Beijing Zhangwen continued to expand new distribution channels.

## **Business outlook for the second half of 2020**

The main business direction of the Group in the second half year of 2020 will be the pan-entertainment market, which consists of online literature, online games, film and television, short videos and music. The Group will also select high quality IP and deeply develop various forms of IP derivatives; enforce research of pan-entertainment industry's products, market and future development trend; explore innovative business actively; enhance research and analysis of industry status and counterparts; and seek high quality investment targets which are promising. Meanwhile, the Group will strictly exercise cost and business risks control, including attraction of project cost control of labor, as well as improvement of the procurement system and procedures. The Group will remain focus on the development and status of the pandemic, continue to evaluate its impact on the financial position and operating results of the Group, and take necessary actions to reduce the impact of the pandemic on the business. Pan-entertainment industry policies are becoming more and more perfect, industry supervision is becoming more and more stringent. The Chinese government has continued to strengthen the protection of intellectual property rights, while awareness of subscription among users continue to grow stronger, driving the continuous development of high quality of the pan-entertainment industry in the PRC in the future. The Group will leverage on policy advantage and the huge potential of the pan-entertainment market, coupled with a high-quality management team and excellent operational capabilities, size up the situation in the changing macroeconomic environment and forge ahead, we have full confidence and expectation for the future.

## **2. FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 June 2020, the gross revenue of the Group amounted to approximately RMB42.5 million, representing a decrease of approximately 29.5% as compared with the corresponding period in 2019 (2019: approximately RMB60.2 million).

### ***Digital entertainment services***

For the six months ended 30 June 2020, the gross revenue of digital entertainment services of the Group amounted to approximately RMB3.9 million, representing a significant decrease of approximately 83.2% as compared with the corresponding period in 2019 (2019: approximately RMB23.0 million). The decrease was mainly due to the fact that the Group adjusted the development strategies, resulting in a decrease of approximately RMB19.1 million in gross revenue from game publishing business and film and television production.



### ***Property investment business***

For the six months ended 30 June 2020, the gross revenue of property investment business derived from the rental and management fee amounted to approximately RMB38.6 million, representing an increase of approximately 3.7% as compared with the corresponding period in 2019 (2019: approximately RMB37.2 million).

### **Cost of services provided**

For the six months ended 30 June 2020, the cost of services provided of the Group amounted to approximately RMB10.3 million, representing a decrease of approximately 71.0% as compared with the corresponding period in 2019 (2019: approximately RMB35.7 million). The decrease was mainly due to the decrease of approximately RMB24.3 million in related cost compared with the corresponding period in 2019 accompanied with the decrease in game and film and television production related revenue.

### ***Digital entertainment services***

For the six months ended 30 June 2020, the cost of services provided of digital entertainment services amounted to approximately RMB2.8 million, decreased by approximately 89.8% as compared with the corresponding period in 2019 (2019: approximately RMB27.1 million).

### ***Property investment business***

For the six months ended 30 June 2020, the cost of services provided of property investment business amounted to approximately RMB7.6 million, decreased by approximately 12.3% as compared with the corresponding period in 2019 (2019: approximately RMB8.6 million). During the period, the Group has implemented effective cost control to reduce the impact of the COVID-19 pandemic on property investment business.

### **Gross profit**

For the six months ended 30 June 2020, the gross profit of the Group amounted to approximately RMB32.1 million, representing an increase of approximately 39.7% as compared with the corresponding period in 2019 (2019: approximately RMB23.0 million). For the six months ended 30 June 2020, the overall gross margin ratio of the Group was approximately 75.6%, while it was approximately 38.2% for the corresponding period last year. The increase of the overall gross margin ratio of the Group was mainly resulted from the increase of gross margin ratio of film and television production business.

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

For the six months ended 30 June 2020, the other income and gains, net of the Group were approximately RMB30.6 million, representing a significant increase of approximately 204.4% as compared with the corresponding period last year (2019: approximately RMB10.1 million). The increase was mainly due to that for the six months ended 30 June 2020, the recognition of gain on fair value change of financial assets at fair value through profit or loss amounted to approximately RMB14.5 million, while loss on fair value change of financial assets at fair value through profit or loss amounted to approximately RMB15.3 million was recognized under other expenses for the six months ended 30 June 2019. In addition, the foreign exchange differences, net increased by approximately RMB4.0 million as compared with the corresponding period last year.

### **Selling and marketing expenses**

For the six months ended 30 June 2020, the selling and marketing expenses of the Group amounted to approximately RMB2.7 million, decreased by approximately 35.6% as compared with the corresponding period in 2019 (2019: approximately RMB4.1 million). The decrease was mainly resulted from the reduction of game related publishing business.

### **Administrative expenses**

For the six months ended 30 June 2020, the administrative expenses of the Group amounted to approximately RMB16.3 million, representing a decrease of approximately 44.3% as compared with the corresponding period in 2019 (2019: approximately RMB29.3 million). The decrease in administrative expenses was mainly due to the decrease in expenses so as to meet the needs of the business and development strategies of the Group.

### **Other expenses, net**

For the six months ended 30 June 2020, the other expenses, net of the Group amounted to approximately RMB11.4 million, decreased by approximately 48.2% as compared with the corresponding period in 2019 (2019: approximately RMB22.0 million). The decrease was mainly due to that for the six months ended 30 June 2019, the recognition of loss on fair value change of financial assets at fair value through profit or loss related to investment in Lanlanlanlan Film & Television amounted to approximately RMB17.0 million. For the six months ended 30 June 2020, the other expenses, net consisted of i) a fair value loss on investment property amounted to RMB5.0 million; ii) the impairment provision of inventories amounted to approximately RMB3.7 million; iii) write-off of trade receivables amounted to approximately RMB2.7 million due to the impact of the COVID-19 pandemic, we offered rent and management fee concession to lessees.

### **Share of profits and losses of associates, net**

For the six months ended 30 June 2020, the Group shared profits and losses of associates amounted to approximately RMB15.1 million, increased by approximately 150.8% as compared with the corresponding period in 2019 (2019: approximately RMB6.0 million). The increase was mainly due to the shared profits of Beijing Zhangwen increased by approximately RMB7.8 million as compared with the corresponding period in 2019.

### **Income tax credit/(expense)**

For the six months ended 30 June 2020, income tax expense of the Group amounted to approximately RMB3.2 million, while the income tax credit for the corresponding period in 2019 was approximately RMB4.7 million. This change was mainly due to the deferred tax expenses amounted to approximately RMB3.6 million derived from the increased fair value of financial asset at fair value through profit or loss for the six months ended 30 June 2020, while it was due to the deferred tax credit amounted to approximately RMB5.5 million derived from the decreased fair value of financial asset at fair value through profit or loss and investment property for the corresponding period last year.

### **Profit/(loss) attributable to equity holders of the Company**

As a result of above-mentioned, for the six months ended 30 June 2020, the profit attributable to equity holders of the Company amounted to approximately RMB44.7 million, while it was a loss of approximately RMB11.8 million for the corresponding period last year.

### **Liquidity and financial resources**

As at 30 June 2020, cash and bank balances and highly liquid short-term assets of the Group including cash and cash equivalents, restricted cash and pledged deposits and financial assets at fair value through profit or loss amounted to approximately RMB513.2 million in aggregate (2019: approximately RMB571.9 million). Among which, approximately RMB175.9 million, or approximately 34% was denominated in RMB.

As at 30 June 2020, the Group had short-term interest-bearing bank borrowings in aggregate amounted to approximately RMB51.0 million (2019: approximately RMB130.0 million), and the gearing ratio which is measured by the net borrowings over the total assets is 2.8% (2019: approximately 7.2%).

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 2020, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

### **Financial assets at fair value through profit or loss**

As at 30 June 2020, the Group's financial assets at fair value through profit or loss amounted to approximately RMB152.5 million (2019: approximately RMB144.4 million), which was comprised of investments in funds and the derivative financial assets with respect to investments in Lanlanlanlan Film & television included in non-current assets and wealth management products and listed investments included in current assets. The increase was mainly attributable to the increase in fair value of investments in funds.

## **Financial assets at fair value through other comprehensive income**

As at 30 June 2020, the Group's financial assets at fair value through other comprehensive income amounted to approximately RMB313.5 million (2019: approximately RMB233.4 million). The increase was mainly attributable to the significant increase in the performance of a game development company, which resulted in the increase in fair value of the game development company.

## **Human resources**

As at 30 June 2020, the Group had 77 employees (as at 30 June 2019: 123 employees). The average headcounts of the period was 85 while it was 136 for the corresponding period in 2019. Total employee costs for the six months ended 30 June 2020, including directors' emoluments, amounted to approximately RMB11.3 million (2019: approximately RMB20.7 million). The decrease is mainly due to the fact that the needs of development strategy of the Group through reducing headcounts for improvement of efficiency and cutting down expenses.

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.

## **3 USE OF PROCEEDS**

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

As of the date of this announcement, the accumulated amount of RMB101.3 million of the proceeds from the Subscriptions have been used. Among which, approximately RMB59.6 million of the net proceeds from the Subscription were utilized for the acquisition of 51% equity interest in MU77SH, approximately RMB41.7 million were used for the acquisition of MU77HK and controlling MU77SH through implementing a series of VIE agreements and arrangements.

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

On the date of this announcement, the remaining amount of the proceeds from the Subscription was RMB236.0 million. The company has no plans to change the use of the proceeds from the Subscription for the time being. The remaining unutilized proceeds from the Subscription will be used as intended. As at the date of this announcement, the Company has not identified other suitable business or investment opportunities. The Company will continue to use its best endeavors to identify appropriate business opportunities for investment. Currently, the Company placed such unutilized proceeds as short-term interest-bearing deposits in licensed bank in Hong Kong.

#### **4 SIGNIFICANT INVESTMENTS**

The Group did not launch any new significant investments during the six months ended 30 June 2020.

#### **5 MAJOR RISKS AND UNCERTAINTIES**

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

##### **Business Risk**

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

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

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

## **Policy Risk**

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

## **Foreign Exchange Risk**

On 30 June 2020, HK Dollars and US Dollars in cash and cash equivalents held by the Group were approximately HK\$3.9 million and US\$47.1 million. The Group's main business is located in China, and most of its revenues and expenditures are settled in RMB. Therefore, the Group may face the risk of foreign currency exchange.

## **6 UPDATE ON THE FULFILLMENT OF PERFORMANCE OF LANLANLANLAN FILM & TELEVISION**

As at the date of this announcement, the Group held an aggregate of 29.52% share in Lanlanlanlan Film & television, an associate of the Company, which was acquired through capital increase, share acquisition and equity compensation. As Lanlanlanlan Film & television and its subsidiaries did not meet the respective target profit for the financial years ended 31 December 2017, 2018 and 2019, pursuant to the relevant transaction documents, the Group shall be compensated by the founders of Lanlanlanlan Film & television by cash or equity. Also, the disposal of an aggregate of 23.56% equity interests in Lanlanlanlan Film & television by the Group, has yet to be completed. As at the date of this announcement, RMB5 million has been paid by the founders to the Group for such disposal.

The founders of Lanlanlanlan Film & television have undertaken to the Group to perform its obligations in relation to the compensation and the disposal by 24 March 2022.

For further details of the capital increase, acquisition, disposal and compensation, please refer to the announcements of the Company dated 18 December 2017, 13 March 2018, 3 September 2018, 25 March 2019 and 25 March 2020 and the circular of the Company dated 5 June 2019.

## **OTHER INFORMATION**

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for 2020.

### **Purchase, Redemption or Sale of Listed Securities of the Company**

As of the date of this announcement, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

### **Compliance with the Code on Corporate Governance Practices**

During the period ended 30 June 2020, 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 has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group. The Board considered that Mr. Liu is able to make better business decision for the Group in performing the roles of the chairman and CEO. Therefore, Mr. Liu has had the dual roles of the chairman and CEO of the Company despite deviation from code provision A.2.1 during this reporting period.

### **Compliance with the Model Code for Securities Transactions**

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

### **Review of Financial Information**

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2020. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position and results for the six months ended 30 June 2020.

## **Audit Committee**

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2020.

## **Publication of 2020 Results Announcement and Interim Report**

The 2020 interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.a8nmg.com>). The 2020 interim report will be available on the website of the Stock Exchange and that of the Company on or about Monday, 7 September 2020, and will be dispatched to the Shareholders in due course.

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

Hong Kong, 21 August 2020

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

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