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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 2021

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2021, the profit attributable to equity holders of the Company amounted to approximately RMB43.5 million, while it was a profit of approximately RMB44.7 million for the corresponding period in 2020.
- For the six months ended 30 June 2021, the gross revenue of the Group amounted to approximately RMB43.1 million, representing an increase of approximately 1.4% from approximately RMB42.5 million for the corresponding period in 2020.
- For the six months ended 30 June 2021, the overall gross margin ratio of the Group was approximately 77.7%, while it was approximately 75.6% for the corresponding period in 2020.
- Strong balance sheet, with cash and cash equivalents and highly liquid short-term assets of approximately RMB535.5 million and net assets of approximately RMB1,491.1 million as of 30 June 2021.

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 2021. 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	For the six months ended 30 June	
		2021 (Unaudited) <i>RMB'000</i>	2020 (Unaudited) <i>RMB'000</i>
REVENUE	5	43,149	42,451
Cost of services provided		(9,610)	(10,339)
Gross profit		33,539	32,112
Other income and gains, net	5	38,816	30,599
Selling and marketing expenses		(1,784)	(2,662)
Administrative expenses		(14,341)	(16,334)
Other expenses, net		(26,671)	(11,364)
Finance costs	6	(634)	(2,322)
Share of profits and losses of associates, net		18,388	15,056
PROFIT BEFORE TAX	7	47,313	45,085
Income tax expense	8	(5,323)	(3,181)
PROFIT FOR THE PERIOD		41,990	41,904
Attributable to:			
Owners of the Company		43,451	44,718
Non-controlling interests		(1,461)	(2,814)
		41,990	41,904
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY	<i>10</i>		
Basic (RMB per share)		1.61 cents	1.66 cents
Diluted (RMB per share)		1.61 cents	1.66 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	41,990	41,904
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(3,914)</u>	<u>25</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	<u>(44,178)</u>	<u>60,048</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(48,092)</u>	<u>60,073</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(6,102)</u></u>	<u><u>101,977</u></u>
Attributable to:		
Owners of the Company	<u>(4,641)</u>	104,791
Non-controlling interests	<u>(1,461)</u>	<u>(2,814)</u>
	<u><u>(6,102)</u></u>	<u><u>101,977</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	123,152	127,137
Investment properties		411,000	422,000
Right-of-use assets		12,182	12,708
Goodwill		9,278	9,278
Intangible assets		1,536	1,901
Investments in associates		291,149	272,761
Financial assets at fair value through profit or loss		122,421	135,930
Financial assets at fair value through other comprehensive income		175,736	234,641
Deferred tax assets		424	609
		<hr/>	<hr/>
Total non-current assets		1,146,878	1,216,965
CURRENT ASSETS			
Trade receivables	<i>12</i>	1,422	4,174
Prepayments, other receivables and other assets		5,841	10,074
Financial assets at fair value through profit or loss		44,366	39,206
Restricted cash balances and pledged deposits		64	39,920
Cash and cash equivalents		491,116	448,434
		<hr/>	<hr/>
Total current assets		542,809	541,808
CURRENT LIABILITIES			
Trade payables	<i>13</i>	7,593	8,589
Other payables and accruals		49,616	50,555
Interest-bearing bank borrowings		5,000	46,000
Tax payable		18,904	17,861
Lease liabilities		132	521
		<hr/>	<hr/>
Total current liabilities		81,245	123,526
		<hr/>	<hr/>
NET CURRENT ASSETS		461,564	418,282
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,608,442	1,635,247
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2021

		30 June	31 December
		2021	2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		117,076	137,930
Deferred income		300	600
		<hr/>	<hr/>
Total non-current liabilities		117,376	138,530
		<hr/>	<hr/>
Net assets		1,491,066	1,496,717
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	22,831	22,818
Reserves		1,469,571	1,473,774
		<hr/>	<hr/>
Non-controlling interests		1,492,402	1,496,592
		(1,336)	125
		<hr/>	<hr/>
Total equity		1,491,066	1,496,717
		<hr/> <hr/>	<hr/> <hr/>

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:

- 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 2021 has been prepared in accordance with International Accounting Standard 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 2020.

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 2020, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised IFRSs are described below:

- a. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become

separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. 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 hedging relationships.

- b. Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

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 People's Republic of China (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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs (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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Segment revenue	3,713	3,863	39,436	38,588	43,149	42,451
Cost of services provided	(2,001)	(2,761)	(7,609)	(7,578)	(9,610)	(10,339)
Gross profit	<u>1,712</u>	<u>1,102</u>	<u>31,827</u>	<u>31,010</u>	<u>33,539</u>	<u>32,112</u>
Segment results	<u>(6,329)</u>	<u>2,507</u>	<u>31,811</u>	<u>23,332</u>	<u>25,482</u>	<u>25,839</u>
Reconciliation:						
Bank interest income					4,102	8,041
Finance costs (other than interest on lease liabilities)					(628)	(2,300)
Corporate and other unallocated income and expenses, net					<u>18,357</u>	<u>13,505</u>
Profit before tax					<u>47,313</u>	<u>45,085</u>
Income tax expense					<u>(5,323)</u>	<u>(3,181)</u>
Profit for the period					<u><u>41,990</u></u>	<u><u>41,904</u></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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Digital entertainment revenue	3,713	3,863
Property management services	8,597	7,671
	<u>12,310</u>	<u>11,534</u>
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	816	747
Other lease payments, including fixed payments	30,023	30,170
	<u>30,839</u>	<u>30,917</u>
	<u>43,149</u>	<u>42,451</u>
Other income and gains, net		
Bank interest income	4,102	8,041
Fair value gains on financial assets at fair value through profit or loss, net	–	14,515
Foreign exchange differences, net	–	4,963
Dividend income from financial assets at fair value through profit or loss	29,057	138
Dividend income from a financial asset at fair value through other comprehensive income	3,000	808
Others	2,657	2,134
	<u>38,816</u>	<u>30,599</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited) RMB'000	(Unaudited) RMB'000
Interest on bank loans	628	2,300
Interest on lease liabilities	6	22
	<u>634</u>	<u>2,322</u>

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited) RMB'000	(Unaudited) RMB'000
Depreciation of property, plant and equipment	3,976	4,081
Depreciation of right-of-use assets	525	525
Amortisation of intangible assets	365	364
Amortisation of network films and dramas***	–	457
Write-off of trade receivables*	–	2,678
Write-off of other payables**	–	(81)
Impairment of trade receivables*	8	24
Impairment of network films and dramas under production*	–	3,663
Fair value gain on financial assets at fair value through profit or loss**	–	(14,515)
Fair value loss on financial assets at fair value through profit or loss*	13,509	–
Changes in fair value of investment properties*	11,000	5,000
Foreign exchange differences, net*/**	2,310	(4,963)

* 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 EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: 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, except for a subsidiary which is entitled to a preferential rate.

An analysis of the income tax charges for the six months ended 30 June 2021 and 2020 is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current — Hong Kong		
Charge for the period	36	116
Current — PRC		
Charge for the period	10,653	1,043
Underprovision/(overprovision) in prior years	575	(614)
Deferred	(5,941)	2,636
	<hr/>	<hr/>
Total tax charge for the period	<u>5,323</u>	<u>3,181</u>

9. INTERIM DIVIDEND

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts for the six months ended 30 June 2021 is based on the profit for the period attributable to equity holders of the Company of RMB43,451,000 (six months ended 30 June 2020: RMB44,718,000), and the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 of 2,702,863,000 (six months ended 30 June 2020: 2,693,536,000).

No adjustment has been made to the basic earnings per share amount for the periods ended 30 June 2021 and 2020 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share amount presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB13,000 (six months ended 30 June 2020: RMB16,000). There were disposals of property, plant and equipment of RMB22,000 (six months ended 30 June 2020: RMB97,000) during the six months ended 30 June 2021.

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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Billed		
Within 1 month	476	273
1 to 2 months	87	17
2 to 3 months	–	17
Over 3 months	181	236
	<u>744</u>	<u>543</u>
Unbilled	678	3,631
	<u>1,422</u>	<u>4,174</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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 1 month	26	804
1 to 3 months	10	171
4 to 6 months	38	57
Over 6 months	7,519	7,557
	<u>7,593</u>	<u>8,589</u>

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

14. ISSUED CAPITAL

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Authorised:		
3,000,000,000 (31 December 2020: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid:		
2,702,406,628 (31 December 2020: 2,700,886,628) ordinary shares of HK\$0.01 each	<u>22,831</u>	<u>22,818</u>

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

	<i>Notes</i>	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 2021		2,700,886,628	27,009	1,148,150	22,818	966,775	989,593
Exercise of share options	<i>(a)</i>	3,856,000	38	1,208	33	1,035	1,068
Cancellation of Shares	<i>(b)</i>	<u>(2,336,000)</u>	<u>(23)</u>	<u>(523)</u>	<u>(20)</u>	<u>(439)</u>	<u>(459)</u>
As at 30 June 2021		<u>2,702,406,628</u>	<u>27,024</u>	<u>1,148,835</u>	<u>22,831</u>	<u>967,371</u>	<u>990,202</u>

Notes:

- (a) The subscription rights attaching to 3,856,000 share options were exercised at the subscription price of HK\$0.219 per share, resulting in the issue of 3,856,000 shares for a total cash consideration of HK\$845,000 (equivalent to RMB714,000). An amount of RMB354,000 was transferred from the employee share-based compensation reserve to share capital upon the exercise of the share options.
- (b) During the six months ended 30 June 2021, the Company repurchased 2,336,000 ordinary shares (the "Share") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a total consideration of HK\$546,000 (equivalent to RMB459,000), which were cancelled during the period. The issued share capital of the Company was reduced by the par value of the repurchased Shares so cancelled. The remaining of consideration paid on the repurchase of the Shares of HK\$523,000 (equivalent to RMB439,000) were charged to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND OUTLOOK

Business Review for the First Half of 2021

In the first half of 2021, the Group focuses on the pan-entertainment market which consisting of online literature, online games, film and television, short videos, music, etc., along with the vertical development of Intellectual Property (“IP”)’s long chain, continuously integrates and develops between various sub-sectors, and provides content support to each other, achieving development and realization of high-quality IP and IP derivatives. The Group has been developing industrial park business, making research on the products, markets and future development trends of new economic and technological fields so as to make preparation for investing in the new economic and technological fields. 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 segments 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 avoid the negative impact of the pandemic on the operation of the industry park business.

Game Business

The impact of the approval of game license restrictions has continued and the game license will continue to be scarce resources. Facing the increasing competition in the gaming industry, the Group carried out strategic adjustments actively, and made structural adjustments and optimizations to its online game business line. At the same time, the Group controlled costs and focused on game research and development to cope with the ever-changing market environment.

During the reporting period, the Group’s revenue from the online game business was mainly derived from “Colossus Knights” (「巨像騎士團」) and “Card Monster” (「卡片怪獸」) operated by the independent game research and development companies, Shanghai Mu77 Network Technology Co., Ltd. (上海木七七網絡科技有限公司, “MU77SH”) and Mu77 Network Technology Hongkong Limited (香港木七七網絡科技有限公司, “MU77HK”) (collectively “Mu77”). “Adventure and the Abyss” (「冒險與深淵」) distributed by Mu77 was officially launched in Mainland China on 27 July 2021 and its monthly sales exceeded RMB4 million. “Colossus Knights 2” (「巨像騎士團2」, tentative title), the sequel to “Colossus Knights” (「巨像騎士團」) is in development with a release review package completed in July 2021, the first paid test is expected to be in Q4 in 2021, and the launch date is undetermined.

Film & Television Business

“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.

As of 30 June 2021, 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. In the first half of 2021, Lanlanlanlan has already received a share of revenue from the distribution of three television dramas in 2020, and two new dramas produced and filmed in the first half of the year are expected to be released in the second half of 2021.

Online Literatures

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), Ruochu.com (若初網), Ruoxia.com (若夏網) and Free Fiction of Heiyan (黑岩免費小說網). Beijing Zhangwen is engaged in overall copyright operation, adapting literary works into web movies, web dramas, movies, comics, animations and audio books and audio dramas, 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 2021, the revenue generated from copyright operation of Beijing Zhangwen increased by 23% as compared with the corresponding period in 2020. This growth is mainly derived from the development of film and television production and distribution business, audio books business, animations and comics business and third-party reading business.

For audio books business, the number of hours of audio works recorded by Beijing Zhangwen and the anchor Multi-Channel Network (“**MCN**”) agencies of Beijing Zhangwen have increased by more than 50,000 compared with the corresponding period last year, among which many audio novels entered the bestselling lists of platforms such as Himalayan FM (「喜馬拉雅 FM」), Irts.me (「懶人聽書」) and Dragonfly FM (「蜻蜓FM」). The anchor MCN agencies of Beijing Zhangwen are in the top 3 of the anchor charts of Himalayan FM, and launched an audio advertising and merchandising business. For audio program operation, we successfully operated the Deyunshe Xiangsheng Spring Festival Gala (「德雲社相聲春晚」) and Golden Comedy Class (「金牌喜劇班」).

For comics business, Beijing Zhangwen's numerous comics also entered top three ranking of Best Selling List and Soaring List of Tencent Comic, kuaikanmanhua.com and xiaomingtaiji.com. For animations business, we have independently developed innovative technology for the whole process of animation production using the virtual reality engine, achieving three major improvements: small (team size is only one-third of that of traditional animation), precise (high resolution quality) and fast (production capacity is several times of that of traditional animation).

For film and television business, Black Rock Planet (黑岩星球) of Beijing Zhangwen produced and distributed the web movie "Special Attack of the Divine Soldier" (「神兵特攻」) starring the martial actor Louis Fan Siu-wong and "Yoga Village" (「瑜伽村」) starring the comedian Tang Jianjun that is a key production promoted by Fujian Provincial Radio and Television Bureau, which will be broadcast in the second half of 2021. The series of web movies "The Big Illusion 2" (「大幻術師2」) and "The Giant Crocodile 2" (「巨鱷2」) which finished shooting in the first half of the year are in post-production and are expected to be released by the end of 2021. The first self-produced web drama "Million Times for You" (「為你千千萬萬遍」) is scheduled to be released in the first quarter of 2022. The Olympics project web film "Fly! Light on Ice" (「飛吧！冰上之光」) has become a key "seed bank" project of the Beijing Municipal Bureau of Radio and Television and has been shortlisted for the "Eight Ones" Winter Olympics Theme Project of the Beijing Bureau of Radio and Television.

For online literature business, the growth continues to be solid. As at 30 June 2021, the cumulative number of registered users of Beijing Zhangwen's platform had maintained a compound annual growth rate of 30% for four consecutive years. In addition to reading online literature on its own platform, Beijing Zhangwen provides reading services to third-party reading platforms through a licensing model. In the first half of 2021, many literatures of Beijing Zhangwen were ranked at the top of the bestseller lists on platforms such as Ali Literature (「阿里文學」), Zhangyue Literature (「掌閱文學」), Book Chaser (「追書神器」), Linksure Literature (「連尚文學」), Tomato Novels (「番茄小說」), Qimao Novels (「七貓小說」), Baidu Wenxue (「百度文學」), and MiGu Culture (「咪咕文化」), and many of its novels were ranked at the top of the annual bestseller lists for new media distribution.

Industry Park Business

During the reporting period, for property investment business, the Group's 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 2021, A8 Music Building was awarded the title of Shenzhen Green Energy Building. The Group contributed revenue of approximately RMB39,400,000 in the first half of 2021, representing a steady increase compared to the same period last year.

In the first half of 2021, the commercial leasing market became saturated, coupled with the impact of the pandemic, the entire leasing market down in the doldrums. 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”, stabilized old customers, provided rent reduction package for customers affected by the pandemic, and at the same time developed new customers, increased revenue through multiple channels, and reasonably reduced costs. Also, it continuously improved service quality and achieved significant results to prevent from the impact of the market conditions and the pandemic on the income of the property investment business.

Relying on the A8 Music Building, the Group’s A8Live is an offline performance brand that integrates functions such as music performance theater and professional recording studio. In the first half of 2021, the studio conducted 129 batches of recording work, with 343 hours of recording time. Due to the impact of the pandemic, 6 shows were held in the music performance theater, which was a slight improvement on the same period last year.

Business Outlook for The Second Half of 2021

The main business direction of the Group in the second half of 2021 will still be the pan-entertainment market, which consists of online literature, online games, film and television, short video and music, and at the same time, the Group will develop the industrial park business and explore the development of new business actively, enforce research of new economic and technological field’s products, market and future development trend, enhance research and analysis of the status and companies in new economic and technological industry, and high quality investment targets which are promising. At the same time, the Group will strengthen project management and optimal process, strictly control risks while seeking business chance. The Group will remain concern to the development and status of the pandemic, continue to assess its impact on the Group’s financial position and operating results, and take necessary actions to reduce the business risks. The Group will continue to monitor changes in government regulatory policies and market conditions and takes proactive measures to address them. Relying on high-quality management team and excellent operational capabilities, the Group will seek business breakthroughs and development in the pan-entertainment industry, and conduct investment-related work and arrangements in the new economic and technological fields. Sizing 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 2021, the gross revenue of the Group amounted to approximately RMB43.1 million, representing an increase of approximately 1.4% as compared with the corresponding period in 2020 (2020: approximately RMB42.5 million).

Digital entertainment services

For the six months ended 30 June 2021, the gross revenue of digital entertainment services of the Group amounted to approximately RMB3.7 million, representing a decrease of approximately 5.1% as compared with the corresponding period in 2020 (2020: approximately RMB3.9 million).

Property investment business

For the six months ended 30 June 2021, the gross revenue of property investment business derived from the rental and management fee amounted to approximately RMB39.4 million, representing an increase of approximately 2.1% as compared with the corresponding period in 2020 (2020: approximately RMB38.6 million).

Cost of services provided

For the six months ended 30 June 2021, the cost of services provided of the Group amounted to approximately RMB9.6 million, representing a decrease of approximately 6.8% as compared with the corresponding period in 2020 (2020: approximately RMB10.3 million). The decrease was mainly due to the decrease of approximately RMB0.8 million in related cost compared with the corresponding period in 2020 accompanied with the decrease in game and film and television production related revenue.

Digital entertainment services

For the six months ended 30 June 2021, the cost of services provided of digital entertainment services amounted to approximately RMB2.0 million, decreased by approximately 28.6% as compared with the corresponding period in 2020 (2020: approximately RMB2.8 million).

Property investment business

For the six months ended 30 June 2021, the cost of services provided of property investment business amounted to approximately RMB7.6 million, almost the same as compared with the corresponding period in 2020 (2020: approximately RMB7.6 million).

Gross profit

For the six months ended 30 June 2021, the gross profit of the Group amounted to approximately RMB33.5 million, representing an increase of approximately 4.4% as compared with the corresponding period in 2020 (2020: approximately RMB32.1 million). For the six months ended 30 June 2021, the overall gross margin ratio of the Group was approximately 77.7%, while it was approximately 75.6% 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 property investment business.

Other income and gains, net

For the six months ended 30 June 2021, the other income and gains, net of the Group were approximately RMB38.8 million, representing a significant increase of approximately 26.8% as compared with the corresponding period last year (2020: approximately RMB30.6 million). The increase was mainly due to that for the six months ended 30 June 2021, the dividend income from financial assets at fair value through profit or loss amounted to approximately RMB29.1 million, while gain on fair value change of financial assets at fair value through profit or loss amounted to approximately RMB14.5 million was recognized under other income for the six months ended 30 June 2020. In addition, the foreign exchange differences, net decreased by approximately RMB5.0 million; bank interest income decreased by approximately RMB3.9 million, as compared with the corresponding period last year.

Selling and marketing expenses

For the six months ended 30 June 2021, the selling and marketing expenses of the Group amounted to approximately RMB1.8 million, decreased by approximately 33.3% as compared with the corresponding period in 2020 (2020: approximately RMB2.7 million). The decrease was mainly resulted from the reduction of game related publishing business.

Administrative expenses

For the six months ended 30 June 2021, the administrative expenses of the Group amounted to approximately RMB14.3 million, representing a decrease of approximately 12.3% as compared with the corresponding period in 2020 (2020: approximately RMB16.3 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 2021, the other expenses, net of the Group amounted to approximately RMB26.7 million, significantly increased by approximately 134.2% as compared with the corresponding period in 2020 (2020: approximately RMB11.4 million). For the six months ended 30 June 2021, the other expenses, net consisted of i) the recognition of fair value loss on investment properties amounted to approximately RMB11.0 million; ii) the recognition of loss on fair value change of financial assets at fair value through profit or loss amounted to approximately RMB13.5 million; iii) exchange loss amounted to approximately RMB2.3 million. For the six months ended 30 June 2020, the other expenses, net consisted of i) a fair value loss on investment properties 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 2021, the Group shared profits and losses of associates amounted to approximately RMB18.4 million, increased by approximately 21.9% as compared with the corresponding period in 2020 (2020: approximately RMB15.1 million). The increase was mainly due to the shared profit of Beijing Zhangwen increased by approximately RMB2.8 million as compared with the corresponding period in 2020.

Income tax expense

For the six months ended 30 June 2021, income tax expense of the Group amounted to approximately RMB5.3 million, while the income tax expense for the corresponding period in 2020 was approximately RMB3.2 million. This change was mainly due to current tax expense amounted to approximately RMB10.7 million and the deferred tax credit amounted to approximately RMB2.8 million derived from fair value loss on investment properties for the six months ended 30 June 2021, while it was due to the deferred tax expense amounted to approximately RMB3.6 million derived from the decreased fair value of financial asset at fair value through profit or loss for the corresponding period last year.

Profit attributable to equity holders of the Company

As a result of above-mentioned, for the six months ended 30 June 2021, the profit attributable to equity holders of the Company amounted to approximately RMB43.5 million, while it was a profit of approximately RMB44.7 million for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2021, cash and cash equivalents 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 RMB535.5 million in aggregate (2020: approximately RMB527.6 million). Among which, approximately RMB94.9 million, or approximately 18% was denominated in RMB.

As at 30 June 2021, the Group had short-term interest-bearing bank borrowings in aggregate amounted to approximately RMB5.0 million (2020: approximately RMB46.0 million), and the gearing ratio which is measured by the net borrowings over the total assets is 0.3% (2020: approximately 2.6%).

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 2021, 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 2021, the Group's financial assets at fair value through profit or loss amounted to approximately RMB166.8 million (2020: approximately RMB175.1 million), which was comprised of investments in funds and the derivative financial assets included in non-current assets and wealth management products and listed investments included in current assets. The decrease was mainly attributable to the decrease in fair value of investments in funds.

Financial assets at fair value through other comprehensive income

As at 30 June 2021, the Group's financial assets at fair value through other comprehensive income amounted to approximately RMB175.7 million (2020: approximately RMB234.6 million). The decrease was mainly attributable to the significant decrease in the performance of a game development company, which resulted in the decrease in fair value of the game development company.

Human resources

As at 30 June 2021, the Group had 61 employees (as at 30 June 2020: 77 employees). The average headcounts of the period was 67 while it was 85 for the corresponding period in 2020. Total employee costs for the six months ended 30 June 2021, including directors' emoluments, amounted to approximately RMB9.4 million (2020: approximately RMB11.3 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 has 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 2021.

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 industry park 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 related authorities adjustments to game industry, film and television industry and education industry, which may lead to significant changes in operating and investing positions of the Group's business.

Foreign Exchange Risk

On 30 June 2021, HK Dollars and US Dollars in cash and cash equivalents held by the Group were approximately HK\$8 million and US\$67.2 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 2021.

Purchase, Redemption or Sale of Listed Securities of the Company

As of 30 June 2021, the Company repurchased 2,336,000 shares of its own ordinary shares of the Company at the highest and lowest prices of HK\$0.236 and HK\$0.231 per share respectively (“**Shares Repurchase**”), all the repurchased shares have been cancelled on 11 June 2021.

Except as disclosed above, during the six months ended 30 June 2021, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

Compliance with the Code on Corporate Governance Practices

During the period ended 30 June 2021, 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 2021. 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 2021.

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 2021.

Changes to Directors' Information

Mr. Lin Qian has resigned as an executive Director and the chief financial officer and Mr. Ji Bo has been appointed as an executive Director with effect from 15 July 2021.

Save as disclosed herein, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules as of the issuance date of this announcement.

Publication of 2021 Results Announcement and Interim Report

The 2021 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 2021 interim report will be available on the website of the Stock Exchange and that of the Company on or about Thursday, 16 September 2021, 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, 20 August 2021

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

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