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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2024, the profit of the Group amounted to approximately RMB19.1 million, while it was approximately RMB25.1 million for the corresponding period in 2023. For the six months ended 30 June 2024, the profit attributable to the continuing operations was approximately RMB19.1 million.
- Revenue from continuing operations of the Group for the six months ended 30 June 2024 amounted to approximately RMB30.2 million, representing a decrease of approximately 19.4% as compared with the corresponding period in 2023 (2023: approximately RMB37.5 million).
- The gross profit margin ratio from continuing operations of the Group for the six months ended 30 June 2024 was approximately 72.4%, which decreased 4.7 percentage point as compared to that of 2023, while it was approximately 77.1% for the corresponding period in 2023.
- Strong balance sheet with cash and cash equivalents and highly liquid short-term assets of approximately RMB723.3 million as at 30 June 2024.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		For the six months ended 30 June	
	<i>Notes</i>	2024	2023
		(Unaudited)	(Unaudited)
		RMB’000	RMB’000
CONTINUING OPERATIONS			
REVENUE	5	30,220	37,505
Cost of services provided		<u>(8,332)</u>	<u>(8,574)</u>
Gross profit		21,888	28,931
Other income and gains, net	5	25,999	22,361
Selling and marketing expenses		–	(9)
Administrative expenses		(9,161)	(10,376)
Other expenses, net		(25,543)	(26,291)
Share of profits and losses of associates, net		<u>7,796</u>	<u>7,238</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS			
	6	20,979	21,854
Income tax credit/(expense)	7	<u>(1,904)</u>	<u>711</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS			
		19,075	22,565
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	<u>–</u>	<u>2,546</u>
PROFIT FOR THE PERIOD			
		<u>19,075</u>	<u>25,111</u>
Attributable to:			
Owners of the Company		19,075	25,273
Non-controlling interests		<u>–</u>	<u>(162)</u>
		<u>19,075</u>	<u>25,111</u>

		For the six months ended 30 June	
	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<i>10</i>		
Basic (RMB per share)			
— For profit for the period		<u>0.69 cents</u>	<u>0.92 cents</u>
— For profit from continuing operations		<u>0.69 cents</u>	<u>0.82 cents</u>
Diluted (RMB per share)			
— For profit for the period		<u>0.69 cents</u>	<u>0.91 cents</u>
— For profit from continuing operations		<u>0.69 cents</u>	<u>0.82 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	19,075	25,111
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	3,889	15,701
Reclassification adjustments of exchange differences for foreign operations disposed of during the period	—	174
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>3,889</u>	<u>15,875</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	(37,368)	105,102
Income tax effect	9,342	(26,275)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(28,026)</u>	<u>78,827</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(24,137)</u>	<u>94,702</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(5,062)</u></u>	<u><u>119,813</u></u>
Attributable to:		
Owners of the Company	(5,062)	119,975
Non-controlling interests	—	(162)
	<u><u>(5,062)</u></u>	<u><u>119,813</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	107,909	108,111
Investment properties	<i>12</i>	364,300	378,000
Right-of-use assets		11,092	11,253
Intangible assets		763	774
Investments in associates		302,686	294,890
Financial assets at fair value through profit or loss		56,127	55,908
Financial assets at fair value through other comprehensive income		80,075	117,443
Deferred tax assets		9,350	13,389
		<hr/>	<hr/>
Total non-current assets		932,302	979,768
CURRENT ASSETS			
Inventories		500	500
Trade receivables	<i>13</i>	5,841	6,125
Prepayments and other receivables		14,395	9,499
Financial assets at fair value through profit or loss		117,345	195,960
Restricted cash balances		65	65
Cash and cash equivalents		605,854	501,695
		<hr/>	<hr/>
Total current assets		744,000	713,844

		30 June 2024	31 December 2023
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	14	6,870	7,022
Other payables and accruals		26,261	32,622
Tax payable		15,135	10,164
		<hr/>	<hr/>
Total current liabilities		48,266	49,808
		<hr/>	<hr/>
NET CURRENT ASSETS			
		695,734	664,036
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,628,036	1,643,804
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		69,778	82,545
		<hr/>	<hr/>
Total non-current liabilities		69,778	82,545
		<hr/>	<hr/>
Net assets		1,558,258	1,561,259
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	23,545	23,450
Reserves		1,534,713	1,537,809
		<hr/>	<hr/>
Total equity		1,558,258	1,561,259
		<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 in the People’s Republic of China (the “**PRC**” or “**Chinese Mainland**”):

- cultural business
- property investment

In the opinion of directors, Mr. Liu Xiaosong is the ultimate controlling shareholder of the Company.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

The unaudited interim condensed consolidated financial information are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendment to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendment to IAS 1	<i>Classification of Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- a. Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- b. The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- c. Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the 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 cultural business segment engages in the provision of (1) music-based entertainment; and (2) film and television production in the PRC; and
- (b) the property investment segment engages in the investment 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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that bank interest income 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

	Cultural business		Property investment		Total	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Segment revenue	1,373	268	28,847	37,237	30,220	37,505
Cost of services provided	(173)	(542)	(8,159)	(8,032)	(8,332)	(8,574)
Gross profit/(loss)	<u>1,200</u>	<u>(274)</u>	<u>20,688</u>	<u>29,205</u>	<u>21,888</u>	28,931
Segment results	8,989	6,925	5,233	8,745	14,222	15,670
Reconciliation:						
Bank interest income					12,248	12,280
Corporate and other unallocated income and expenses, net					<u>(5,491)</u>	<u>(6,096)</u>
Profit before tax from continuing operations					<u>20,979</u>	<u>21,854</u>

5. REVENUE, OTHER INCOME AND GAINS, NET

As analysis of revenue, other income and gains, net from continuing operations are as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Music-based entertainment	1,373	215
Film and television production	–	53
Property management services	6,747	7,968
	<u>8,120</u>	<u>8,236</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	674	891
Other lease payments, including fixed payments	21,426	28,378
	<u>22,100</u>	<u>29,269</u>
	<u>30,220</u>	<u>37,505</u>
Other income and gains, net		
Bank interest income	12,248	12,280
Foreign exchange differences, net	12	2,871
Dividend and distribution income from financial assets at fair value through profit or loss	5,607	2,363
Dividend income from a financial asset at fair value through other comprehensive income	6,138	3,004
Others	1,994	1,843
	<u>25,999</u>	<u>22,361</u>

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	2,092	2,325
Depreciation of right-of-use assets	162	162
Amortisation of intangible assets	11	11
Fair value loss on financial assets at fair value through profit or loss	11,101	7,039
Fair value loss on investment properties	13,700	19,000

7. INCOME TAX

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods.

An analysis of the income tax charge/(credit) for the six months ended 30 June 2024 and 2023 is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — PRC		
Charge for the period	2,799	940
Deferred	(895)	(1,651)
Total tax charge/(credit) for the period from continuing operations	1,904	(711)
Total tax charge/(credit) for the period	1,904	(711)

8. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On 23 December 2022, the Group entered into an equity transfer agreement with the other shareholders of Blueowlgames Limited (“**Blueowlgames**”) and Shanghai Mu77 Network Technology Co., Ltd. (“**Shanghai Mu77**”), pursuant to which the Group agreed to sell its 51% equity interests in Blueowlgames and Shanghai Mu77 at considerations of RMB286,000 and RMB346,000, respectively, to the other shareholders. Blueowlgames and Shanghai Mu77 were principally engaged in game development and game publishing services (collectively referred to as “**Disposed Game Development and Publishing Services**”) and represented a major line of the Group’s business in the Cultural Business segment for operating segment information and the Disposed Game Development and Publishing Services was regarded as a discontinued operation. The disposal was part of the Group’s strategic plan to reallocate its resources to fit its business plan. The disposal of Blueowlgames and Shanghai Mu77 was completed during the period and a gain on disposal of subsidiaries of RMB2,571,000 was recognised during the period ended 30 June 2023.

The results of the Disposed Game Development and Publishing Services for the period ended 30 June 2023 were presented below:

	(Unaudited) RMB’000
Revenue	–
Cost of services provided	–
	<hr/>
Gross profit	–
Other income and gains	–
Administrative expenses	(25)
	<hr/>
	(25)
Gain on disposal of subsidiaries	2,571
	<hr/>
Profit before tax from a discontinued operation	2,546
Income tax expense	–
	<hr/>
Profit for the period from a discontinued operation	<u>2,546</u>

9. INTERIM DIVIDEND

The board of directors (the “**Board**”) did not recommend the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

No adjustment has been made to the basic earnings per share amount for the six months ended 30 June 2024 in respect of a dilution as the impact of share options outstanding had no dilutive effect on the basic earnings per share.

For the six months ended 30 June 2023, the calculation of the diluted earnings per share amount is based on the profit for the period attributable to the ordinary equity holders of the Company and the total of (i) the weighted average number of ordinary shares as used in the basic earnings per share calculation and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to ordinary equity holders of the Company for the purpose of basic and diluted earnings per share:		
From continuing operations	19,075	22,715
From a discontinued operation	–	2,558
	=====	=====
	Number of shares	
	For the six months	
	ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,773,622	2,755,930
Effect of dilution — weighted average number of ordinary shares:		
Share options	–	11,583
	=====	=====
	2,773,622	2,767,513

11. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2024, the Group acquired property, plant and equipment of approximately RMB1,904,000 and disposed of property, plant and equipment of approximately RMB14,000.

During the period ended 30 June 2023, the Group acquired property, plant and equipment of approximately RMB4,000 and disposed of property, plant and equipment of approximately RMB6,000.

12. INVESTMENT PROPERTIES

	(Unaudited) RMB'000
At 1 January 2024	378,000
Fair value losses on investment properties	(13,700)
	<hr/>
At 30 June 2024	364,300
	<hr/> <hr/>

13. TRADE RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	7,720	8,004
Impairment	(1,879)	(1,879)
	<hr/>	<hr/>
	5,841	6,125
	<hr/> <hr/>	<hr/> <hr/>

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 1 month	1,084	1,486
1 to 2 months	915	1,313
2 to 3 months	763	1,002
Over 3 months	3,079	2,324
	<hr/>	<hr/>
	5,841	6,125
	<hr/> <hr/>	<hr/> <hr/>

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

14. 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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 1 month	–	369
1 to 3 months	–	–
4 to 6 months	–	–
Over 6 months	6,870	6,653
	6,870	7,022

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

15. ISSUED CAPITAL

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Authorised: 3,000,000,000 (31 December 2023: 3,000,000,000) ordinary shares of HK\$0.01 each	26,513	26,513
Issued and fully paid: 2,783,140,628 (31 December 2023: 2,772,834,628) ordinary shares of HK\$0.01 each	23,545	23,450

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	Share premium	Equivalent nominal value of ordinary shares	Equivalent share premium
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024	2,772,834,628	27,728	1,168,183	23,450	984,253
Issue of new shares	(a) 10,306,000	103	3,206	95	2,926
As at 30 June 2024	<u>2,783,140,628</u>	<u>27,831</u>	<u>1,171,389</u>	<u>23,545</u>	<u>987,179</u>

Note:

- (a) The subscription rights attaching to 10,306,000 share options were exercised at the subscription price of HK\$0.219 per share, resulting in the issue of 10,306,000 shares for a total cash consideration, before expenses, of approximately HK\$2,257,000 (equivalent to approximately RMB2,060,000). An amount of approximately RMB961,000 was transferred from the employee share-based compensation reserve to share premium upon the exercise of the share options.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW AND OUTLOOK

Business Review for the First Half of 2024

During the reporting period, the global macroeconomic situation was fast changing. In the face of the development and changes in the market environment, the Group took active measures to address the changes by adjusting the operation strategies of each business segment, continuing to develop the online literature business; strengthening cost and expense control and taking various measures to enhance the quality of services for the industrial park business. Meanwhile, the Group continues its investigation and research on companies, products and markets in the fields of science and technology, internet and new energy, etc., and strengthened the control of project approval and project risk control for performing the relevant investment and business prudently at the appropriate timing.

Industrial Park Business

The Group's revenue mainly comes from the rental income and property management service income of the national music industry base — A8 Music Building. Located in the core area of the Greater Bay Area of Shenzhen, A8 Music Building enjoys a superior geographical location with a total floor area of 52,500 square meters, integrating office and commercial service functions.

During the reporting period, faced with the impact of the external economic environment, the leasing industry as a whole was severely impacted. Most companies remained relatively cautious about leasing costs and tightened their corporate leasing budgets, and the increase in the supply of commercial offices in the market further pushed up the vacancy rate. The Group took a series of measures to attract and retain tenants, such as offering rent payment by installments, adjusting investment promotion measures, and promoting fully furnished units, etc., which effectively mitigated the impact of the external environment. However, the occupancy rate continued to decline steadily during the reporting period. The revenue from rental and property management service in the first half of 2024 amounted to approximately RMB28.847 million, representing a decrease of 22.5% compared with last year.

Online Literatures

北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd) (“**Beijing Zhangwen**”) focuses on the incubation, production and global distribution of high-quality cultural recreation content IP. Beijing Zhangwen currently mainly operates four business segments: online literature content research and development, audiobook and audio content research and development, animation content research and development and video content research and development.

For online literature business, Beijing Zhangwen continues to develop high-quality content and derivative products. In 2024, Beijing Zhangwen incubated a short story sector, encouraging deep reading and light reading to further innovation and growth in the digital reading sector. In addition to providing users with high quality reading services on its own platform, Beijing Zhangwen also authorized cooperation with influential third-party platforms in the industry, such as Qimao (“七貓小說”), Palm Reader Literature (“掌閱文學”), Himalaya (“喜馬拉雅”), Tomato Novels (“番茄小說”), etc. In 2024, Beijing Zhangwen initiated a government innovation application with the project titled “Cloud Computing and AIGC-based Reading Platform.” This project has already achieved multiple results in the digital reading sector, establishing a high-quality, high-conversion, and high-revenue precision service innovation platform model.

For audiobook and audio content business, the anchor matrix created by Beijing Zhangwen in the current year showed initial results, and the advantages of exclusive operation with Himalaya have continued to emerge in the current year, with a number of high-quality content sorted into the optimal recording sequence, and the recorded products were put on the market in a highly efficient and timely manner, and the impact of the multi-line operation linkage from the audiobooks as the entry point to link the text market was notable. Many audiobooks entered the Top 10 Bestseller List of Himalaya FM, Tomato FM (“西紅柿暢聽”), Irts.me Listening (“懶人暢聽”) and Dragonfly FM (“蜻蜓FM”), etc.

For animation business, Beijing Zhangwen combines 3D animation and AI animation technology in animation production for the first time. The voice-overs and music of the animation are done by large AI models, and the first pure AI-produced animation short film is planned to be released by the end of 2024.

Beijing Zhangwen’s original worldview mini-series transition strategy, switching from a high-productivity mode to a high-quality product mode, aims to create a unified worldview, tell the story of traditional Chinese culture, and produce high-quality film and television works. This year’s self-produced micro-short dramas entered the TOP 100 of the Top Headlines Premium Subscription List, one of the most trusted and expected content producers by new media distributors.

Business Outlook for the Second Half of 2024

In 2024, the Group will continue to develop its industrial park business, as well as its cultural industry business, and will take the following initiatives:

- i. Positively face the impact of the external economic environment on the industrial park business and take various measures to improve the quality of the buildings and the quality of services so as to minimize the impact of the external environment;
- ii. Continue to develop the online literature business in a healthy and stable manner, seek innovations and breakthroughs on the basis of enhancing the original business segments;
- iii. Strengthen the assistance and management of the Group's invested companies and help them to achieve development, so as to minimize the impact of the external environment on the Group;
- iv. Continue to optimize processes, control costs to save the Group's expenses;
- v. Explore the use of AI to enhance management effectiveness, strengthen informatization and intelligent management, enable the work more efficient and intelligent, improve work efficiency and reduce management costs;
- vi. Continue to strengthen research and analysis of industry conditions, companies, products, technologies and markets in the fields of science and technology, Internet, new energy, etc., and cautiously approach new investment projects and business development, and make appropriate attempts at the appropriate time.

The Group will continue to adhere to steady development strategy and adjust and move forward in the changing economic environment.

2. FINANCIAL REVIEW

Operating Business

Revenue

For the six months ended 30 June 2024, the revenue from continuing operations of the Group amounted to approximately RMB30.2 million, representing a decrease of approximately 19.4% as compared with the corresponding period in 2023 (2023: approximately RMB37.5 million).

Cultural Business

For the six months ended 30 June 2024, the revenue from continuing operations of cultural business amounted to approximately RMB1.4 million, representing a significant increase as compared with the corresponding period in 2023 (2023: approximately RMB0.3 million). The increase was mainly due to the sale of a music rights.

Property investment business

For the six months ended 30 June 2024, the revenue of property investment business derived from the rentals and management fee amounted to approximately RMB28.8 million, representing a decrease of approximately 22.5% as compared with the corresponding period in 2023 (2023: approximately RMB37.2 million).

Cost of services provided

For the six months ended 30 June 2024, the cost of services provided from continuing operations by the Group amounted to approximately RMB8.3 million, representing a decrease of approximately 2.8% as compared with the corresponding period in 2023 (2023: approximately RMB8.6 million).

Cultural business

For the six months ended 30 June 2024, the cost of services provided from continuing operations of Cultural business amounted to approximately RMB0.2 million, representing a significant decrease of approximately 68.1% as compared with the corresponding period in 2023 (2023: approximately RMB0.5 million). The decrease was mainly caused by the reduction in expenditure to the needs of the Group's business stage and development strategy.

Property investment business

For the six months ended 30 June 2024, the cost of services provided from continuing operations of property investment business amounted to approximately RMB8.2 million, which was basically flat as compared with the corresponding period in 2023.

Gross profit

For the six months ended 30 June 2024, the gross profit from continuing operations of the Group amounted to approximately RMB21.9 million, representing a decrease of approximately 24.3% as compared with the corresponding period in 2023 (2023: approximately RMB28.9 million). The overall gross margin from continuing operations of the Group (which is calculated based on gross profit divided by revenue) was 72.4% for the six months ended 30 June 2024, as compared with 77.1% for the corresponding period in 2023. The decrease was mainly due to the fact that the reduction rate of cost was lower than the reduction rate of revenue for the six months ended 30 June 2024.

Other income and gains, net

For the six months ended 30 June 2024, the other income and gains, net from continuing operations of the Group were approximately RMB26.0 million, representing an increase of approximately 16.3% as compared with the corresponding period in 2023 (2023: approximately RMB22.4 million). The increase was mainly due to the increase in dividend and distribution income from investments.

Administrative expenses

For the six months ended 30 June 2024, the administrative expenses from continuing operations of the Group amounted to approximately RMB9.2 million, representing a decrease of approximately 11.7% as compared with the corresponding period in 2023 (2023: approximately RMB10.4 million). The decrease was mainly caused by the reduction in expenditure to the needs of the Group's business stage and development strategy.

Other expenses, net

For the six months ended 30 June 2024, the other expenses, net from continuing operations of the Group amounted to approximately RMB25.5 million, representing a slight decrease as compared with the corresponding period in 2023 (2023: approximately RMB26.3 million).

Share of profits and losses of associates, net

For the six months ended 30 June 2024, the Group's share of profits or losses of associates, net, from continuing operations amounted to approximately RMB7.8 million, representing an increase of approximately 7.7% as compared with the corresponding period in 2023 (2023: approximately RMB7.2 million).

Income tax credit/(expense)

For the six months ended 30 June 2024, income tax expense from continuing operations of the Group amounted to approximately RMB1.9 million, while the income tax credit from continuing operations of the Group for the corresponding period in 2023 amounted to approximately RMB0.7 million. This change was mainly due to the increase of current tax charges in PRC of RMB1.9 million and decrease in deferred tax credit of RMB0.8 million.

Profit for the period from a discontinued operation

For the period ended 30 June 2023, the Group obtained a profit of approximately RMB2.5 million from a discontinued operation. For the period ended 30 June 2024, the Group did not obtain any profit from the discontinued operation.

Profit attributable to equity holders of the Company

As a result of above-mentioned, for the period ended 30 June 2024, profit attributable to equity holders of the Company amounted to approximately RMB19.1 million, compared to a profit of approximately RMB25.3 million for the period ended 30 June 2023.

Liquidity and Financial Resources

As at 30 June 2024, cash and cash equivalents and highly liquid short-term assets of the Group including, restricted cash and financial assets at fair value through profit or loss amounted to approximately RMB723.3 million (As at 31 December 2023: approximately RMB697.7 million). Among which, approximately RMB213.1 million, or approximately 29.5% was denominated in RMB.

As at 30 June 2024, the Group has no interest-bearing bank borrowings.

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 2024, 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 (“FVPL”)

As at 30 June 2024, the Group’s financial assets at fair value through profit or loss amounted to approximately RMB173.5 million (As at 31 December 2023: approximately RMB251.9 million), which was comprised of investments in funds included in non-current assets and wealth management products and listed investments included in current assets. During the period, the Group received dividends and distribution income of approximately RMB5.6 million from FVPL.

Set out below are details of financial assets at fair value through profit or loss as at 30 June 2024 and 31 December 2023:

Investment category	Fair value as at 30 June 2024 (RMB’000)	Fair value as at 31 December 2023 (RMB’000)	Percentage increase/ (decrease)
Fund investments ¹	56,127	55,908	0.4
Treasury Bond ETF ²	117,345	123,960	(5.3)
Wealth management products	–	72,000	>100.0
Total	<u>173,472</u>	<u>251,868</u>	<u>(31.1)</u>

Notes:

- (1) Including investments in Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprise (Limited Partnership) (“**Qingsong Fund II**”), Shenzhen Qingsong Phase III Equity Investment Fund Partnership Enterprise (Limited Partnership) (“**Qingsong Fund III**”), Shenzhen Qianhai tianhe Cultural Industry Investment Center (Limited Partnership) (深圳前海天和文化產業投資中心(有限合夥)), and Shenzhen Qingsong Small and Medium Enterprises Development Investment Partnership Enterprise (Limited Partnership) (“**Qingsong Fund IV**”). For the investments in Qingsong Fund II, Qingsong Fund III and Qingsong IV, please refer to the announcements of the Group dated 24 January 2014, 15 May 2017 and 21 January 2020, respectively.
- (2) As at 30 June 2024, the total amount of Treasury Bond ETF purchased by the Group for the open market with its temporarily idle self-owned funds was approximately USD17.8 million. The details of the Treasury Bond ETF can be referred to the announcements of date 19 May 2023, 21 May 2023, 25 May 2023, 14 June 2023 and 10 July 2023.

Except for Treasury Bond ETF, none of other single investment above-mentioned has a carrying amount that accounts for more than 5% of the Group’s total assets as at 30 June 2024. Details of Treasury Bond ETF was set out in the “**MATERIAL INVESTMENTS**”.

Financial assets at fair value through other comprehensive income (“FVOCI”)

As at 30 June 2024, the Group’s financial assets at fair value through other comprehensive income amounted to approximately RMB80.1 million (As at 31 December 2023: approximately RMB117.4 million). These financial assets at fair value through other comprehensive income was comprised of listed and unlisted equity investments. During the period, the Group received dividends of approximately RMB6.1 million from FVOCI.

Set out below are details of financial assets at fair value through other comprehensive income as at 30 June 2024:

Investment category	Fair value as at 30 June 2024 (RMB’000)	Fair value as at 31 December 2023 (RMB’000)	Percentage increase/ (decrease)
Game development companies ¹	66,789	104,692	(36.2)
Information technology services company ²	13,286	12,751	4.2
Total	80,075	117,443	(31.8)

Notes:

- (1) Game development companies include Xiamen Mengjia Network technology Co., Ltd. (“**Xiamen Mengjia**”) and Shanghai Hanqu Network technology Co., Ltd. (上海瀚趣網絡科技有限公司). Among them, Xiamen Mengjia was listed on the National Equities Exchange and Quotations (the “**NEEQ**”) (stock code: 839039), and delisted from NEEQ on 2 January 2019.
- (2) Information technology services company refers to Shenzhen Lemon Network Technology Co., Ltd (“**Lemon Network**”), a company listed on NEEQ (stock code: 835924).

As at 30 June 2024, none of investee companies above-mentioned has a carrying amount that accounts for more than 5% of the Group’s total assets.

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

Human resources

As at 30 June 2024, the Group had 16 employees (as at 30 June 2023: 20 employees). The average headcounts of the period was 17 while it was 20 for the corresponding period in 2023. Total employee costs of the Group from continuing operations for the six months ended 30 June 2024, including directors' emoluments, amounted to approximately RMB4.1 million, representing a decrease of 29.3% over the corresponding period in 2023 (2023: approximately RMB5.8 million). The decrease in the number and total costs of employees were 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. MATERIAL INVESTMENTS

As at 30 June 2024, the details of significant investments of the Group were set out as follows:

Investment category	Name of the investment	Investment cost RMB'000	Percentage investment of held as at 30 June 2024 (%)	Fair value/ Carrying amount as at 31 December 2023 RMB'000	Change in fair value/ share of profit for the period ended 30 June 2024 RMB'000	Fair value/ Carrying amount as at 30 June 2024 RMB'000	Size as compared to the Group's total assets as at 30 June 2024 (%)	Total amount of dividends received for the period ended 30 June 2024 RMB'000	Principal activities
FVPL	Treasury Bond ETF	125,310	N/A	123,960	(8,551)	115,409*	6.9	1,936*	
Investment in Beijing associate	Zhangwen	195,098	35	289,817	7,750	297,567	17.8		– Incubation and operations of IP and provision of online book reading

* Approximately RMB117,345,000 as stated in the condensed consolidated statement of financial position are the aggregate amount of fair value and dividends received during the period.

Save as disclosed above, as of 30 June 2024, the Company did not have any material investments. However, the Group will continue to consolidate the current businesses, while seeking new opportunities to complement and strengthen our existing business operations.

4. 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 the use of the proceeds of the Subscription is the same as that of the subscription agreement entered by the Group, the remaining amount of the proceeds from the Subscription was RMB235.9 million.

On 23 August 2022, the Board has resolved to change the use of the proceeds, and reallocated the balance of funds raised from the subscription for investment in the technology, internet and big consumption sectors to keep consistence with the direction of national policies, which will be beneficial to the Group to seize investment opportunities in the market. It is also conducive to expand the Group’s investment base and sources of profit. The reallocation of the net proceeds is in line with the business strategy of the Group and is more favorable to the Group’s long term business development, which is in the best interest of the Company and the Shareholders as a whole. Please refer to the announcement published on 23 August 2022 of the Group.

Details of the original allocation of the net proceeds, revised allocation of net proceeds, utilized and unutilized net proceeds as at the date of this announcement are set out as below:

Proposed Usage	Original allocation of the Proceeds <i>(RMB million)</i>	Reallocation of the Proceeds <i>(RMB million)</i>	Utilised Net Proceeds as at the date of this announcement <i>(RMB million)</i>	Unutilised Net Proceeds as at the date of this announcement <i>(RMB million)</i>	Expected timeline of full utilisation of the remaining balance after the Proposed Change
Acquisition of upstream and downstream mobile online game	337.2	–	101.3	–	
Investment in technology, internet and big consumption industry, etc.	–	200.5	–	200.5	on or before 31 December 2028
General Working capital	–	35.4	–	35.4	on or before 31 December 2026
Total	<u>337.2</u>	<u>235.9</u>	<u>101.3</u>	<u>235.9</u>	

The Directors of the Company will continuously review the plan of the use of the unutilised net proceeds and may amend such plan where necessary so as to cope with the changing market conditions and strive for better business performance of the Group.

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 fluctuations in market prices of rent and property management fees, intensified competition and uncertainty of tenant mobility.

The regulatory policies of the cultural business are constantly being adjusted and improved, the industry faces fierce competition 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 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 online literatures industry, which may lead to significant changes in operating and investing positions of the Group's business.

Economic and Political Environment

Adverse macroeconomic changes and geopolitical risks may affect the business environment and hence the operating results. The Group will maintain a prudent attitude in tracking macroeconomic changes and political environment and adjust its operating strategies and business plans promptly in response to different market conditions.

Banking Risk

In March 2023, the liquidity and solvency issues of Silicon Valley Bank and other banks attracted widespread attention. So far, the situation is still in the process of rapid change. This may bring risks to the safety of the group's funds. The management will check the Group's major banks on occasion to assess liquidity risks.

Foreign Exchange Risks

On 30 June 2024, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HKD3.2 million and USD70.8 million. The Group may be exposed to foreign exchange risk. However, The Group's main business is located in Chinese Mainland, and most of its revenues and expenditures are settled in RMB. The Board does not anticipate that future currency fluctuations will have a significant impact on the Group's business operations. The Group will continue to monitor the foreign exchange risk from time to time in accordance with the business development needs so as to endeavor to maintain the cash value of the Group.

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. 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. The founders of Lanlanlanlan Film & Television have failed to fulfill such undertaking and the Group has filed an arbitration application with the Shenzhen Court of International Arbitration (the “**SCIA**”) on 15 March 2022, requesting for the payment of the equity repurchase amount of RMB141,380,434.37 and penalty interest of RMB59,043,116 by the founders of Lanlanlanlan Film & Television to the Group, totaling RMB200,423,550.37. The case was closed through mediation by the SCIA. According to the arbitration mediation statement, the founders of Lanlanlanlan Film & Television shall pay the Group a share repurchases fee and interest penalty totaling RMB200,423,550.37 before 20 November 2022. Since the founders of Lanlanlanlan Film & Television failed to fulfill the arbitration mediation agreement on time, the Group has applied to the People’s Court for enforcement and is currently in the enforcement procedure. As at the date of this announcement, the Group has been informed by the People’s Court that a property located in Tianjin City owned by the founders of Lanlanlanlan Film & Television (the “**Enforcement Asset**”) has been put on auction twice as part of the aforesaid enforcement procedure but the auction could not proceed due to lack of bidding. It is expected that the People’s Court may initiate another auction in respect of the Enforcement Asset. The enforcement procedure will largely depend on the result of the future auctions in respect of the Enforcement Asset and the enforcement actions (if any) carried out by other creditors of the founders of Lanlanlanlan Film & Television, which both remained undetermined as of the date of this announcement.

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.

7. SCHEME OF ARRANGEMENT

On 12 June 2024, the Company and LUXORIGO INVESTMENT LIMITED (the “**Offeror**”) jointly published an announcement in relation to the proposal for the privatisation of the Company by the Offeror by way of a scheme of arrangement under section 86 of the Companies Act (the “**Scheme**”) and for the withdrawal of the listing of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Proposal**”). Upon approval and implementation of the Proposal, the Offeror will pay to each scheme shareholder an offer price of HK\$0.36 per share in cash for the cancellation of such scheme shares. Upon the Scheme becoming effective, the listing of the Company’s shares on the Stock Exchange will be withdrawn.

The resolutions in relation to Scheme has been approved Scheme has been approved by shareholders on 23 August 2024 and the trading in the shares of the Company has been suspended since 27 August 2024.

For more details, please refer to the joint announcement published by the Company and the Offeror dated 12 June 2024, 3 July 2024, 29 July 2024 and 23 August 2024.

Save as disclosed above, there was no important event affecting the Group that occurred after 31 December 2023 and up to the date of this Announcement.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for 2024.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2024, 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 2024, all the code provisions set out in the Code on Corporate Governance Practices (“**CG Code**”) contained in Appendix C1 of the Listing Rules were met by the Company, except for the deviation from code provision C.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, internet and investment areas 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 C.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 C3 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.

Audit Committee

The Audit Committee consists of three members and all members are independent non-executive directors, the Chairman Mr. Chan Yiu Kwong has appropriate professional qualifications and experience in financial matters. The main responsibilities of the Audit Committee is for reviewing and supervising the financial reporting process and internal control system of the Group.

The Audit Committee of the Company has discussed and reviewed with management the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

Publication of 2024 Interim Results Announcement and Interim Report

The 2024 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>), and the Interim Report containing all the information required by the Listing Rules (if any) will be dispatched to the shareholders of the Group and published on the above websites in due course.

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

Hong Kong, 30 August 2024

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. Gao Shenglin.*