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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 2022 AND CHANGE IN USE OF PROCEEDS

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2022, the profit attributable to equity holders of the Company amounted to approximately RMB26.4 million, while it was approximately RMB43.5 million for the corresponding period in 2021.
- For the six months ended 30 June 2022, the revenue for the Group amounted to approximately RMB49.8 million, representing an increase of approximately 15.3% as compared with the corresponding period in 2021 (2021: approximately RMB43.1 million).
- For the six months ended 30 June 2022, the gross profit margin ratio of the Group was approximately 76.0%, which decreased 1.7 percentage point as compared to that of 2021, while it was approximately 77.7% for the corresponding period in 2021.
- Strong balance sheet with cash and cash equivalents and highly liquid short-term assets of approximately RMB581.9 million as at 30 June 2022.

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 2022. 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 2022

		For the six months ended	
		30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
REVENUE	5	49,757	43,149
Cost of services provided		<u>(11,918)</u>	<u>(9,610)</u>
Gross profit		37,839	33,539
Other income and gains, net	5	14,571	38,816
Selling and marketing expenses		(1,425)	(1,784)
Administrative expenses		(18,145)	(14,341)
Other expenses, net		(9,784)	(26,671)
Finance costs	6	(14)	(634)
Share of profits and losses of associates, net		<u>7,888</u>	<u>18,388</u>
PROFIT BEFORE TAX	7	30,930	47,313
Income tax expense	8	<u>(3,832)</u>	<u>(5,323)</u>
PROFIT FOR THE PERIOD		<u>27,098</u>	<u>41,990</u>
Attributable to:			
Owners of the Company		26,438	43,451
Non-controlling interests		<u>660</u>	<u>(1,461)</u>
		<u>27,098</u>	<u>41,990</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY	10		
Basic (RMB per share)		<u>0.97 cents</u>	<u>1.61 cents</u>
Diluted (RMB per share)		<u>0.96 cents</u>	<u>1.61 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	27,098	41,990
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>20,204</u>	<u>(3,914)</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	5,185	(58,905)
Income tax effect	<u>(1,296)</u>	<u>14,727</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>3,889</u>	<u>(44,178)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>24,093</u>	<u>(48,092)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>51,191</u>	<u>(6,102)</u>
Attributable to:		
Owners of the Company	50,531	(4,641)
Non-controlling interests	<u>660</u>	<u>(1,461)</u>
	<u>51,191</u>	<u>(6,102)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	116,829	119,548
Investment properties		413,000	412,000
Right-of-use assets		11,738	12,538
Goodwill		–	9,278
Intangible assets		808	1,172
Investments in associates		307,578	299,690
Financial assets at fair value through profit or loss		110,316	101,858
Financial assets at fair value through other comprehensive income		155,756	150,571
Deferred tax assets		160	235
Total non-current assets		<u>1,116,185</u>	<u>1,106,890</u>
CURRENT ASSETS			
Inventories		596	603
Trade receivables	12	4,635	1,061
Prepayments, other receivables and other assets		4,602	5,086
Financial assets at fair value through profit or loss		91,800	300
Restricted cash balances and pledged deposits		17	65
Cash and cash equivalents		490,075	555,390
Total current assets		<u>591,725</u>	<u>562,505</u>
CURRENT LIABILITIES			
Trade payables	13	8,023	7,754
Other payables and accruals		42,448	51,008
Tax payable		10,432	18,351
Lease liabilities		–	402
Total current liabilities		<u>60,903</u>	<u>77,515</u>
NET CURRENT ASSETS		<u>530,822</u>	<u>484,990</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,647,007</u>	<u>1,591,880</u>

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		108,806	105,895
Lease liabilities		<u>–</u>	<u>243</u>
Total non-current liabilities		<u>108,806</u>	<u>106,138</u>
Net assets		<u>1,538,201</u>	<u>1,485,742</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	22,928	22,870
Reserves		<u>1,516,999</u>	<u>1,465,258</u>
		1,539,927	1,488,128
Non-controlling interests		<u>(1,726)</u>	<u>(2,386)</u>
Total equity		<u>1,538,201</u>	<u>1,485,742</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

- cultural business
- 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 2022 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 2021.

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 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3
Amendments to IAS 16
Amendments to IAS 37
Annual Improvements to IFRSs 2018–2020

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41

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

- a. Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or (IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or (IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- b. Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- c. Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

d. *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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-related 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit 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

	Cultural business		Property investment		Total	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Segment revenue	10,022	3,713	39,735	39,436	49,757	43,149
Cost of services provided	(3,890)	(2,001)	(8,028)	(7,609)	(11,918)	(9,610)
Gross profit	<u>6,132</u>	<u>1,712</u>	<u>31,707</u>	<u>31,827</u>	<u>37,839</u>	<u>33,539</u>
Segment results	<u>(3,498)</u>	<u>11,928</u>	<u>31,127</u>	<u>19,055</u>	<u>27,629</u>	<u>30,983</u>
Reconciliation:						
Bank interest income					2,213	4,102
Finance costs (other than interest on lease liabilities)					-	(628)
Corporate and other unallocated income and expenses, net					<u>1,088</u>	<u>12,856</u>
Profit before tax					30,930	47,313
Income tax expense					<u>(3,832)</u>	<u>(5,323)</u>
Profit for the period					<u>27,098</u>	<u>41,990</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 and deferred tax assets) 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Game-related operations	9,425	2,841
Music-related entertainment	556	857
Film and television production	41	15
Property management services	8,244	8,597
	<u>18,266</u>	<u>12,310</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	909	816
Other lease payments, including fixed payments	30,582	30,023
	<u>31,491</u>	<u>30,839</u>
	<u>49,757</u>	<u>43,149</u>
Other income and gains, net		
Bank interest income	2,213	4,102
Fair value gains on financial assets at fair value through profit or loss, net	5,458	–
Fair value gains on investment properties	1,000	–
Foreign exchange differences, net	3,131	–
Dividend income from financial assets at fair value through profit or loss	1,261	29,057
Dividend income from a financial asset at fair value through other comprehensive income	–	3,000
Others	1,508	2,657
	<u>14,571</u>	<u>38,816</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans	–	628
Interest on lease liabilities	14	6
	<u>14</u>	<u>6</u>
	<u>14</u>	<u>634</u>

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	2,680	3,976
Depreciation of right-of-use assets	363	525
Amortisation of intangible assets	364	365
Impairment loss on goodwill*	9,278	–
Impairment of trade receivables*	–	8
Fair value loss/(gain) on financial assets at fair value through profit or loss**	(5,458)	13,509
Fair value loss/(gain) on investment properties**	(1,000)	11,000
Foreign exchange differences, net***	(3,131)	2,310

* 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.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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 (2021: 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 2022 and 2021 is as follows:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the period	–	36
Current — PRC		
Charge for the period	2,142	10,653
Underprovision in prior years	–	575
Deferred	1,690	(5,941)
	<u>3,832</u>	<u>(5,941)</u>
Total tax charge for the period	<u>3,832</u>	<u>5,323</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 2022 (six months ended 30 June 2021: 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 2022 and 2021.

The calculation of the diluted earnings per share amount for the period ended 30 June 2022 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 Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

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

	For the six months ended 30 June	
	2022	2021
	(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	<u>26,438</u>	<u>43,451</u>
	Number of shares	
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,712,098	2,702,863
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>34,878</u>	<u>—</u>
	<u>2,746,976</u>	<u>2,702,863</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2022, the Group had disposals of property, plant and equipment of RMB39,000.

During the period ended 30 June 2021, the Group acquired property, plant and equipment of RMB13,000 and disposed of property, plant and equipment of RMB22,000.

12. TRADE RECEIVABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade receivables	4,883	1,309
Impairment	<u>(248)</u>	<u>(248)</u>
	<u>4,635</u>	<u>1,061</u>

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Billed		
Within 1 month	1,297	207
1 to 2 months	989	218
2 to 3 months	956	13
Over 3 months	970	11
	<u>4,212</u>	<u>449</u>
Unbilled	423	612
	<u>4,635</u>	<u>1,061</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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 month	940	35
1 to 3 months	2	86
4 to 6 months	5	35
Over 6 months	7,076	7,598
	<u>8,023</u>	<u>7,754</u>

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

14. ISSUED CAPITAL

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Authorised:		
3,000,000,000 (31 December 2021: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid:		
2,714,250,628 (31 December 2021: 2,707,190,628) ordinary shares of HK\$0.01 each	<u>22,928</u>	<u>22,870</u>

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares	Share premium	Equivalent nominal value of ordinary shares	Equivalent share premium
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	2,707,190,628	27,072	1,150,481	22,870	968,683
Issue of new shares (a)	<u>7,060,000</u>	<u>71</u>	<u>2,371</u>	<u>58</u>	<u>1,976</u>
As at 30 June 2022	<u><u>2,714,250,628</u></u>	<u><u>27,143</u></u>	<u><u>1,152,852</u></u>	<u><u>22,928</u></u>	<u><u>970,659</u></u>

Notes:

- (a) The subscription rights attaching to 7,060,000 share options were exercised at the subscription price of HK\$0.219 per share, resulting in the issue of 7,060,000 shares for a total cash consideration, before expenses, of approximately HK\$1,546,000 (equivalent to approximately RMB1,268,000). An amount of approximately RMB766,000 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 2022

In the first half of 2022, the Group focuses on the internet cultural market which consisting of online literature, online games, film and television, short videos, music, etc., along with industrial park business and we also conduct continuous research and analysis on products, markets and their future development trends in the fields of technology, Internet and big consumption, and are well prepared to engage in investment in technology, Internet and big consumption sectors. During the reporting period, government policies and regulations on the protection of minors, privacy protection and data security tightened and the novel coronavirus (“COVID-19”) pandemic (“**pandemic**”) has repeatedly resurged. The development and changes in the market environment and government regulatory policies and the pandemic had brought negative impact to the Group, we reduced some business, strengthened project approval control and project risk control, enhanced cost control and took relevant measures to reduce the negative impact of the pandemic on the operation of the industry park business.

The Group has been engaged in technology and Internet business for 20 years and our management team has rich experience in technology and Internet industry. We have accumulated much knowledge and executed deep research in technology and Internet industry and are well-equipped to engage in technology and Internet-related businesses and investments. In order to better conform to the direction of national policies, adapt to changes in the industry environment, the Group concentrates its efforts and resources on researching, analyzing and exploring key areas such as new energy and web3, and will carry out new energy and web3 related investments or businesses under appropriate timing.

Game Business

During the reporting period, the Group’s revenue from the online game business was mainly derived from the original games “Colossus Knights” (「巨像騎士團」) and “Card Monster” (「卡片怪獸」) developed and operated by our subsidiary, 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”), and “Adventure and the Abyss” (「冒險與深淵」) for agent. Subject to the influence of the national policies on the protection of minors and factors such as fierce competition in the game industry. The development of game business of the group was severely hampered. The management has been substantially diminished the game business and made efforts to control costs.

Film & Television Business

During the reporting period, the market of the film and television industry shrank and are highly competitive. The Group has not developed any new film and television business and the previous film and television business still generated a small amount of revenue, which was mainly derived from the light funny idol costume drama “Matchmakers of Great Zhou Dynasty” (「大周小冰人」) developed by A8 Film and Television.

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 entertainment content IP. Beijing Zhangwen currently mainly operates four business segments — research and development (“**R&D**”) of online literary, audiobooks and audio content, animation and comic and video contents. For the six months ended 30 June 2022, the overall operations of Beijing Zhangwen solid. Affected by the local pandemic, some partners delayed payment. It is expected to complete the payment in the third quarter successively.

In the audiobook and audio content business, Beijing Zhangwen’s anchor Multi-Channel Network (“**MCN**”) agencies added over 80,000 hours of audiobooks and audio content compared to the previous year, with a number of audiobooks making it to the top 10 bestsellers on 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 are in the top 3 of the anchor charts of Himalayan FM, and its audio advertising and anchor merchandising business continued to grow. The anchor MCN agencies created a base for the production of high-quality audio content last year, and reached intensive strategic collaboration with Himalayan.

In the animation and comics business, a number of long-form original worldview comics from Beijing Zhangwen’s agencies have made it to the top 10 of Tencent Comics’ New Releases, Soaring List and Best Selling List. The ability to develop quality original comics content has established a good foundation for the expansion of comics business. The animation production agencies of Beijing Zhangwen will gradually release a number of short virtual human animation short films with a metaverse worldview in the second half year of 2022.

For video business, Beijing Zhangwen's film and television agency produced the metaverse science fiction online film "Special Attack of the Divine Soldier" (「神兵特攻」), which aired exclusively on Tencent video and became the highest — rated online film on Tencent Video in terms of views, share of box office and popularity in the quarter. It became Top 1 on the Entertainment Chart and Top 2 on the Total Chart on Douyin in the week of launch, Top 1 on both the Entertainment Chart and Movie Chart of Kuaishou, and Top 1 on the Maoyan Hottest Chart. Produced by Beijing Zhangwen's film and television agency, the film "Yoga Village" (「瑜伽村」), that highlighted by Fujian Provincial Administration of Radio and Television as recommended the excellent and poverty alleviation network film, and was exclusively broadcast on Tencent video during the Spring Festival in 2022. It is the only poverty alleviation themed family carnival movie in Tencent Video's Spring Festival. Meanwhile, the Winter Olympics project tribute film "Fly! Light on Ice" (「飛吧！冰上之光」) has been shortlisted for one of the "Eight Ones" (「八個一」) Winter Olympics-themed boutique creation project and supported by the Beijing Radio and Television Network Audiovisual Development Fund, won the Chaoyang District Cultural Industry High-quality Development Guidance Fund, the only selected online film in the cultural boutique creation category. In addition, the two sequels of the series of world-view fantasy films "The Great Illusionist" (「大幻術師」) and "Giant Crocodile" (「巨鱷」), and a new worldview fantasy film series "Mr. Spiritual Fantasy" (「靈幻先生」) will be released in the second half of 2022.

For online literature business, the users of Beijing Zhangwen's own platform grew significantly during the reporting period. As of 30 June 2022, the cumulative number of registered users of platforms owned by Beijing Zhangwen's has maintained an average annual compound growth rate of 42% for five consecutive years. In addition to reading online literature on its own platform, Beijing Zhangwen's provides reading services to third-party reading platforms through a licensing model. First half year of 2022, a number of original literatures and adaptations of derivative literatures of Beijing Zhangwen's agencies are ranked the top of the bestseller list on Ali Literature (「阿里文學」), Palm Reader Literature (「掌閱文學」), Himalaya (「喜馬拉雅」), 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」), iQIYI (「愛奇藝」), Tencent Video (「騰訊視頻」) and other platforms for a long time, and many best-selling novels on Beijing Zhangwen's platform ranked top in the new media platforms, laying a quality content producer of online literature.

In the first half of 2022, Beijing Zhangwen was listed as an enterprise in Beijing's "Fengming Plan" (「鳳鳴計劃」). "Fengming Plan" is a significant service plan launched by Chaoyang District Government of Beijing for high-grade, precision and advanced, high-growth technology enterprises in the district, which will help the development of Beijing Zhangwen.

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. The Group contributed revenue of approximately RMB39.7 million in the first half of 2022, representing a slight increase compared to the same period of last year.

During the reporting period, the COVID-19 pandemic situation is still severe and has effect on the leasing business of industry park business. The Group adopted a number of measures: I) while organizing the fight against the pandemic, the Group stabilized old customers, provided rent reduction package for customers affected by the pandemic, and late payment fee waivers for all tenant. II) adjusted investment measures, developed new customers, increased revenue through multiple channels. During the reporting period, the A8 Music Building management team was selected Royal Institution of Chartered Surveyors (“**RICS**”) annual facility management team.

Relying on the A8 Music Building, the Group's A8 Live is an offline performance brand that integrates functions such as music performance theater and professional recording studio. In the first half of 2022, A8 Live suspended performances due to the impact of the pandemic. the studio conducted 115 batches of recording work, with 284.5 hours of recording time.

Business Outlook for The Second Half of 2022

The main business direction of the Group in the second half of 2022 will still be the internet cultural market, which consists of online literature, online games, film and television, short video and music, and meanwhile, the Group will develop the industrial park business and will continue to research and analysis in the fields of technology, internet and big consumption, and concentrate our efforts and resources on studying, analyzing and exploring key areas such as new energy and web3, and carry out investment or business with new energy and web3 based on continuous research and analysis. The Group will also strengthen project management and risk control.

The Group will remain alert 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 minimize the impact of the pandemic on the business. We will continue to pay attention to changes in government regulatory policies and the market environment, and take measures to address them. The Group will continue to develop its business in the Internet culture industry and continue to explore in the fields of technology, Internet and big consumption as we continue to adjust and move forward in the changing economic environment.

2. FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the revenue of the Group amounted to approximately RMB49.8 million, representing an increase of approximately 15.3% as compared with the corresponding period in 2021(2021: approximately RMB43.1 million).

Cultural Business

For the six months ended 30 June 2022, the revenue of cultural business amounted to approximately RMB10.0 million, representing a significant of approximately 169.9% as compared with the corresponding period in 2021 (2021: approximately RMB3.7 million). The increase was mainly due to the fact that the Group's subsidiary "Shanghai Mu77" entered into some game termination agreements with third-party game companies that the copyright fee received in advance by Shanghai Mu77 in previous years would not be refunded, resulting in an increase in revenue from game business.

Property investment business

For the six months ended 30 June 2022, the revenue of property investment business derived from the rentals and management fee amounted to approximately RMB39.7 million, representing a slight increase of approximately 0.8% as compared with the corresponding period in 2021 (2021: approximately RMB39.4 million).

Cost of services provided

For the six months ended 30 June 2022, the cost of services provided by the Group amounted to approximately RMB11.9 million, representing an increase of approximately 24.0% as compared with the corresponding period in 2021 (2021: approximately RMB9.6 million). The increase was mainly due to the increase in the cost of the cultural business, as detailed below.

Cultural business

For the six months ended 30 June 2022, the cost of services provided of Cultural business amounted to approximately RMB3.9 million, representing a significant increase of approximately 94.4% as compared with the corresponding period in 2021 (2021: approximately RMB2.0 million). The increase was mainly due to the fact that the Group's subsidiary "Shanghai Mu77" entered into some game termination agreements with third-party game companies that the prepayments by Shanghai Mu77 in previous years would not be refunded, resulting in an increase in cost from game business.

Property investment business

For the six months ended 30 June 2022, the cost of services provided of property investment business amounted to approximately RMB8.0 million, representing an increase of approximately 5.5% as compared with the corresponding period in 2021 (2021: approximately RMB7.6 million).

Gross profit

For the six months ended 30 June 2022, the gross profit of the Group amounted to approximately RMB37.8 million, representing an increase of approximately 12.8% as compared with the corresponding period in 2021 (2021: approximately RMB33.5 million). The overall gross margin of the Group (which is calculated based on gross profit divided by revenue) was 76.0% for the six months ended 30 June 2022, as compared with 77.7% for the corresponding period in 2021. The decrease was mainly due to the fact that the growth rate of cost on cultural business was lower than the growth rate of revenue on cultural business for the six months ended 30 June 2022.

Other income and gains, net

For the six months ended 30 June 2022, the other income and gains, net of the Group were approximately RMB14.6 million, representing a decrease of approximately 62.5% as compared with the corresponding period in 2021 (2021: approximately RMB38.8 million). The decrease was mainly due to the decrease in dividend income from the Group's equity investments, resulting in a decrease of approximately RMB30.8 million and the increase in fair value gain on financial assets at fair value through profit or loss, etc.

Selling and marketing expenses

For the six months ended 30 June 2022, the selling and marketing expenses of the Group amounted to approximately RMB1.4 million, representing a decrease of approximately 20.1% as compared with the corresponding period in 2021 (2021: approximately RMB1.8 million). The decrease was mainly due to the reduction on promotion cost of game related business.

Administrative expenses

For the six months ended 30 June 2022, the administrative expenses of the Group amounted to approximately RMB18.1 million, representing an increase of approximately 26.5% as compared with the corresponding period in 2021 (2021: approximately RMB14.3 million). The increase was mainly attributable to the Group's recognition of performance-based remuneration of approximately RMB1.8 million for executive director in cash in the first half of 2022, while it was granted in the second half of the year by options last year. Besides, due to the litigation with Lanlanlanlan Film & Television, the Group's Arbitration-related costs increased by approximately RMB1.4million compared with the corresponding period of last year. For details of the lawsuit, please refer to "6 Update on the Performance Guarantee of Lanlanlanlan Film and Television" below.

Other expenses, net

For the six months ended 30 June 2022, the other expenses, net of the Group amounted to approximately RMB9.8 million, representing a decrease of approximately 63.3% as compared with the corresponding period in 2021 (2021: approximately RMB26.7 million). The decrease was mainly due to (i) the fair value gain on financial assets at fair value through profit amounted to approximately RMB5.5 million, while the fair value loss on financial assets at fair value through profit amounted to approximately RMB13.5 million in the corresponding period in 2021; and (ii) fair value gain on investment properties amounted to approximately RMB1.0 million, while fair value loss on investment properties amounted to approximately RMB11.0 million in the corresponding period in 2021; and (iii) the goodwill arising from the acquisition of Mu77 was impaired by RMB9.3 million and there was no such event in the corresponding period in 2021.

Share of profits and losses of associates, net

For the six months ended 30 June 2022, the Group's share of profits of associates amounted to approximately RMB7.9 million, representing a significant decrease of approximately 57.1% as compared with the corresponding period in 2021 (2021: approximately RMB18.4 million). The decrease was mainly due to the decrease of share of profit of Beijing Zhangwen.

Income tax expense

For the six months ended 30 June 2022, income tax expense of the Group amounted to approximately RMB3.8 million, representing a decrease of approximately 28.0% as compared with the corresponding period in 2021 (2021: approximately RMB5.3 million). This change was mainly due to the decrease of corporate income tax of approximately RMB8.5 million and the increase of deferred tax expense of approximately RMB4.8 million arising from the increase of fair value gain on financial assets through profit and loss and the increase of deferred tax expense of approximately RMB3.1 million arising from the increase of fair value gain on investment properties through profit and loss.

Profit attributable to equity holders of the Company

As a result of above-mentioned, for the period ended 30 June 2022, profit attributable to equity holders of the Company amounted to approximately RMB26.4 million, compared to a profit of approximately RMB43.5 million for the period ended 30 June 2021.

Liquidity and Financial Resources

As at 30 June 2022, cash and cash equivalents and highly liquid short-term assets of the Group including, restricted cash and pledged deposits and financial assets at fair value through profit or loss amounted to approximately RMB581.9 million (2021: approximately RMB555.8 million). Among which, approximately RMB120.7 million, or approximately 20.7% was denominated in RMB.

As at 30 June 2022 and at 31 December 2021, 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 2022 and at 31 December 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 (“FVPL”)

As at 30 June 2022, the Group’s financial assets at fair value through profit or loss amounted to approximately RMB202.1 million (2021: approximately RMB102.2 million), which was comprised of investments in funds included in non-current assets and wealth management products and listed investments included in current assets.

Set out below are details of financial assets at fair value through profit or loss as at 30 June 2022:

Investment category	Fair value as at 30 June 2022 (RMB’000)	Fair value as at 31 December 2021 (RMB’000)	Percentage increase
Fund investments ¹	110,316	101,858	8.3
Wealth management products	91,800	300	>100.0
Total	<u>202,116</u>	<u>102,158</u>	<u>97.8</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.

None of above-mentioned investments have a carrying amount that accounts for more than 5% of the Group’s total assets as at 30 June 2022.

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

As at 30 June 2022, the Group’s financial assets at fair value through other comprehensive income amounted to approximately RMB155.8 million (2021: approximately RMB150.6 million). These financial assets at fair value through other comprehensive income was comprised of listed and unlisted equity investments.

Set out below are details of financial assets at fair value through other comprehensive income as at 30 June 2022:

Investment category	Fair value as at 30 June 2022 (RMB’000)	Fair value as at 31 December 2021 (RMB’000)	Percentage increase/ (decrease)
Game development companies ¹	144,916	138,457	4.7
Information technology services company ²	10,840	12,114	(10.5)
Total	155,756	150,571	3.4

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).

Except for Xiamen Mengjia, none of other invested companies above-mentioned has a carrying amount that accounts for more than 5% of the Group’s total assets as at 30 June 2022. Details of Xiamen Mengjia was set out in the “**MATERIAL INVESTMENTS**”.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

Human resources

As at 30 June 2022, the Group had 29 employees (as at 30 June 2021: 61 employees). The average headcounts of the period was 48 while it was 67 for the corresponding period in 2021. The decrease in the number of employees was mainly attributable to the Group's adjustment and optimization of the game business in response to the changes in industry policies and the competitive situation, and the reduction of the number of employees to control costs. Total employee costs for the six months ended 30 June 2022, including directors' emoluments, amounted to approximately RMB12.4 million, representing an increase of 29.2% over the corresponding period in 2021 (2021: approximately RMB9.6 million). The increase was mainly attributable to the Group's recognition of performance-based remuneration of approximately RMB1.8 million for executive directors in cash in the first half of 2022, while it was granted by means of options in the second half of 2021.

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 2022, the details of significant investments of the Group were set out as follows:

Investment category	Name of the investment	Investment cost RMB'000	Percentage of investment held as at 30 June 2022 (%)	Fair value/ Carrying amount as at 31 December 2021 RMB'000	Change	Fair value/ Carrying amount as at 30 June 2022 RMB'000	Size as compared to the Group's total assets as at 30 June 2022 (%)	Total amount of dividends received for the year ended 30 June 2022 RMB'000	Principal activities
					in fair value/ share of profit for the period ended 30 June 2022 RMB'000				
FVOCI	Xiamen Mengjia	20,024	10	137,111	6,056	143,167	8.4	-	Games development
Investment in associate	Beijing Zhangwen	195,098	35	272,100	8,247	280,347	16.4	-	Incubation and operations of IP and provision of online book reading

Save as disclosed above, as of 30 June 2022, 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 AND CHANGE IN 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 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 RMB235.9 million.

Factors such as the game license approval, the strengthen of regulations in relation to the protection of minor and the fierce competition among game industry of recent years have brought negative effects to the development of the game industry and it is not an appropriate timing to invest in the game industry. Whereas favorable policies have recently emerged in the technology, internet and big consumption sectors in China and bring attractive investment opportunities. In addition, management of the Company have kept on eyes on the research and have obtained related investment experience in the technology, internet and big consumption sectors. After careful consideration, the Board has resolved on 23 August 2022 to change the use of the proceeds 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.

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>	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>	Re-allocation of the Proceeds <i>(RMB million)</i>
Acquisition of upstream and downstream mobile online game	337.2	101.3	235.9	–
Investment in technology, internet and big consumption industry, etc.	–	–	–	200.5
General Working capital	–	–	–	35.4

The Board is of the view that the reallocation of the net proceeds is in line with the business strategy of the Group and is more favourable to the Group's long term business development, which is in the best interest of the Company and the Shareholders as a whole. The aforementioned change in use of proceeds will not have any material adverse effect to the existing business and operations of the Group. The Directors 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 Risks

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

Cultural business 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 Risks

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.

Economic and political environments

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 adjust its operating strategies and business plans promptly in response to different market conditions.

Pandemic Impacts

The COVID-19 pandemic may adversely affect the business and operations of the Group. We will closely monitor risks and uncertainties associated with the pandemic, adjust our measures and plans for pandemic prevention and control, project operations and business development as appropriate, and continue to take necessary and appropriate measures to protect the health and safety of employees, tenants and visitors.

Foreign Exchange Risks

On 30 June 2022, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HK\$2.57 million and US\$68.27million. The Group's main business is located in Mainland 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. 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 is currently being processed.

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 2022.

Purchase, Redemption or Sale of Listed Securities of the Company

During the six months ended 30 June 2022, 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 2022, 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 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 cultural 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 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 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 2022. 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 2022.

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 2022, 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 2022 Interim Results Announcement and Interim Report

The 2022 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 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, 23 August 2022

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.*