



# A8新媒体集团

## A8 NEW MEDIA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00800

 青松基金  
QINGSONG FUND

  
LIVE



映客直播



蓝蓝蓝影视传媒(天津)有限公司  
FOUR BLUE FILM MEDIA CO., LTD.

  
A8 Film & Television



黑岩  
heiyan.com

INTERIM REPORT  
**2021**

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Liu Xiaosong  
Mr. Lin Qian (resigned with effect from 15 July 2021)  
Mr. Ji Bo (appointed with effect from 15 July 2021)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yiu Kwong  
Ms. Wu Shihong  
Mr. Li Feng

## AUDIT COMMITTEE

Mr. Chan Yiu Kwong (*Chairman*)  
Ms. Wu Shihong  
Mr. Li Feng

## NOMINATION COMMITTEE

Mr. Liu Xiaosong (*Chairman*)  
Ms. Wu Shihong  
Mr. Li Feng

## REMUNERATION COMMITTEE

Ms. Wu Shihong (*Chairman*)  
Mr. Liu Xiaosong  
Mr. Li Feng

## AUTHORISED REPRESENTATIVES

Mr. Liu Xiaosong  
Mr. Lin Qian (resigned with effect from 15 July 2021)  
Mr. Ji Bo (appointed with effect from 15 July 2021)

## COMPANY SECRETARY

Ms. Ho Wing Yan

## AUDITORS

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

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

## HEAD OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2703, 27/F  
Shui on Centre  
6–8 Harbour Road  
Wanchai  
Hong Kong

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

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

## STOCK CODE

00800

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

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

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

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

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	123,152	127,137
Investment properties	12	411,000	422,000
Right-of-use assets		12,182	12,708
Goodwill		9,278	9,278
Intangible assets		1,536	1,901
Investments in associates		291,149	272,761
Financial assets at fair value through profit or loss		122,421	135,930
Financial assets at fair value through other comprehensive income		175,736	234,641
Deferred tax assets		424	609
Total non-current assets		<b>1,146,878</b>	1,216,965
<b>CURRENT ASSETS</b>			
Trade receivables	13	1,422	4,174
Prepayments, other receivables and other assets		5,841	10,074
Financial assets at fair value through profit or loss		44,366	39,206
Restricted cash balances and pledged deposits		64	39,920
Cash and cash equivalents		491,116	448,434
Total current assets		<b>542,809</b>	541,808
<b>CURRENT LIABILITIES</b>			
Trade payables	14	7,593	8,589
Other payables and accruals		49,616	50,555
Interest-bearing bank borrowings		5,000	46,000
Tax payable		18,904	17,861
Lease liabilities		132	521
Total current liabilities		<b>81,245</b>	123,526
<b>NET CURRENT ASSETS</b>		<b>461,564</b>	418,282
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,608,442</b>	1,635,247

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		117,076	137,930
Deferred income		300	600
Total non-current liabilities		117,376	138,530
Net assets		1,491,066	1,496,717
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	15	22,831	22,818
Reserves		1,469,571	1,473,774
<b>Non-controlling interests</b>		<b>1,492,402</b> <b>(1,336)</b>	1,496,592 125
Total equity		1,491,066	1,496,717

# Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2021

Note	Attributable to owners of the Company												
	Share capital (unaudited) RMB'000	Share premium account (unaudited) RMB'000	Shares held under share award scheme (unaudited) RMB'000	Merger reserve (unaudited) RMB'000	Surplus contributions (unaudited) RMB'000	Fair value reserve (unaudited) RMB'000	Employee share-based compensation reserve (unaudited) RMB'000	Exchange fluctuation reserve (unaudited) RMB'000	Capital reserve (unaudited) RMB'000	Statutory reserve fund (unaudited) RMB'000	Reserve fund (unaudited) RMB'000	Retained profits (unaudited) RMB'000	Total equity (unaudited) RMB'000
	22,818	966,775	-	29,135	10,522	177,543	37,048	(15,338)	10,326	16,518	4,422	234,823	1,496,592
At 1 January 2021	-	-	-	-	-	-	-	-	-	-	-	125	1,496,717
Profit for the period	-	-	-	-	-	-	-	-	-	-	43,451	(1,461)	41,990
Other comprehensive loss for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	(3,914)	-	-	-	-	(3,914)
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	(44,178)	-	-	-	-	-	-	(44,178)
Total comprehensive loss for the period	-	-	-	-	-	(44,178)	-	(3,914)	-	-	43,451	(1,461)	(6,102)
Equity-settled share-based payment arrangements	(20)	(489)	-	-	-	-	196	-	-	-	-	196	196
Repurchase and cancellation of shares	-	-	-	-	-	-	-	-	-	-	-	-	(459)
Transfer of reserve upon the forfeiture or expiry of share option	-	-	-	-	-	-	(4,581)	-	-	-	4,581	-	-
Employee share award schemes	33	1,095	-	-	-	-	(354)	-	-	-	-	-	714
At 30 June 2021	22,818	967,371*	-	29,135*	10,522*	133,365*	32,309*	(19,252)*	10,326*	18,518*	4,422*	232,855*	1,492,402
	22,818	966,775	(1,416)	29,135	10,522	176,623	34,647	4,872	10,326	20,936	44,718	2,247	1,463,095
At 1 January 2020	-	-	-	-	-	-	-	-	-	-	-	(2,814)	41,904
Profit for the period	-	-	-	-	-	-	-	-	-	-	44,718	(2,814)	41,904
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	25	-	-	-	-	25
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	60,048	-	-	-	-	-	-	60,048
Total comprehensive income for the period	-	-	-	-	-	60,048	-	25	-	-	-	-	60,048
De-registration of a subsidiary	-	-	-	-	-	-	-	-	-	-	44,718	(2,814)	101,977
Equity-settled share-based payment arrangements	-	-	-	-	-	-	858	-	-	-	761	-	-
Transfer of reserves upon the forfeiture or expiry of share options	-	-	-	-	-	-	(139)	-	-	-	-	-	858
At 30 June 2020	22,818	966,775*	(1,416)*	29,135*	10,522*	236,671*	35,366*	4,897*	10,326*	20,175*	4,422*	227,206*	1,566,330

\* These reserve accounts comprise the consolidated reserves of RMB1,469,571,000 (30 June 2020: RMB1,544,079,000) in the interim condensed consolidated statement of financial position.



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	23,070	25,731
Tax paid	(10,222)	(907)
Net cash flows from operating activities	12,848	24,824
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(5,160)	(10,040)
Purchases of items of property, plant and equipment	(13)	(16)
Interest received	8,768	2,233
Decrease/(increase) in restricted cash and pledged deposits	39,856	(1,033)
Decrease in time deposits with original maturity of more than three months when acquired	–	172,314
Proceeds from disposals of financial assets at fair value through profit or loss	–	16,500
Proceeds from disposal of items of property, plant and equipment	2	116
Dividend received	32,057	947
Net cash flows from investing activities	75,510	181,021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	–	41,000
Repayment of bank loans	(41,000)	(120,000)
Proceeds from issues of shares	714	–
Repurchase of shares	(459)	–
Principal portion of lease payments	(389)	(395)
Interest paid	(628)	(2,300)
Net cash flows used in financing activities	(41,762)	(81,695)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	46,596	124,150
Cash and cash equivalents at beginning of period	437,838	75,461
Effect of foreign exchange rate changes, net	(3,914)	25
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	480,520	199,636

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>447,520</b>	66,647
Non-pledged time deposits	<b>43,596</b>	257,324
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	<b>491,116</b>	323,971
Time deposits with original maturity of more than three months when acquired	<b>(10,596)</b>	(124,335)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	<b>480,520</b>	199,636

# Notes to Interim Condensed Consolidated Financial Information

## 1. CORPORATE INFORMATION

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

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the following principal activities:

- provision of digital entertainment services
- property investment

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

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the current period’s unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

# Notes to Interim Condensed Consolidated Financial Information

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

- a. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- b. Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

## 4. OPERATING SEGMENT INFORMATION

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

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

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

# Notes to Interim Condensed Consolidated Financial Information

## 4. OPERATING SEGMENT INFORMATION (Continued)

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

### For the six months ended 30 June

	Digital entertainment		Property investment		Total	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Segment revenue	3,713	3,863	39,436	38,588	43,149	42,451
Cost of services provided	(2,001)	(2,761)	(7,609)	(7,578)	(9,610)	(10,339)
Gross profit	1,712	1,102	31,827	31,010	33,539	32,112
<b>Segment results</b>	<b>(6,329)</b>	2,507	<b>31,811</b>	23,332	<b>25,482</b>	25,839
Reconciliation:						
Bank interest income					4,102	8,041
Finance costs (other than interest on lease liabilities)					(628)	(2,300)
Corporate and other unallocated income and expenses, net					18,357	13,505
<b>Profit before tax</b>					<b>47,313</b>	45,085
Income tax expense					(5,323)	(3,181)
<b>Profit for the period</b>					<b>41,990</b>	41,904

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

# Notes to Interim Condensed Consolidated Financial Information

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

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

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Revenue from contracts with customers</b>		
Digital entertainment revenue	3,713	3,863
Property management services	8,597	7,671
	<b>12,310</b>	11,534
<b>Revenue from other sources</b>		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	816	747
Other lease payments, including fixed payments	30,023	30,170
	<b>30,839</b>	30,917
	<b>43,149</b>	42,451
<b>Other income and gains, net</b>		
Bank interest income	4,102	8,041
Fair value gains on financial assets at fair value through profit or loss, net	–	14,515
Foreign exchange differences, net	–	4,963
Dividend income from financial assets at fair value through profit or loss	29,057	138
Dividend income from a financial asset at fair value through other comprehensive income	3,000	808
Others	2,657	2,134
	<b>38,816</b>	30,599

# Notes to Interim Condensed Consolidated Financial Information

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

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

## 7. PROFIT BEFORE TAX

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

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

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

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

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

# Notes to Interim Condensed Consolidated Financial Information

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates in the jurisdictions in which the subsidiaries operate, except for a subsidiary which is entitled to a preferential rate.

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

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

## 9. INTERIM DIVIDEND

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



# Notes to Interim Condensed Consolidated Financial Information

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

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

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

## 11. PROPERTY, PLANT AND EQUIPMENT

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

## 12. INVESTMENT PROPERTIES

	<b>(Unaudited) RMB'000</b>
At 1 January 2020	<b>431,000</b>
Fair value losses on investment properties	<b>(9,000)</b>
At 31 December 2020 and 1 January 2021	<b>422,000</b>
Fair value losses on investment properties	<b>(11,000)</b>
At 30 June 2021	<b>411,000</b>

The Group's investment properties were revalued on 30 June 2021 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

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

# Notes to Interim Condensed Consolidated Financial Information

## 12. INVESTMENT PROPERTIES (Continued)

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

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

In the opinion of the directors, the current use of the investment properties is their highest and best use. The investment properties measured at fair value in the aggregate carrying amount of RMB411,000,000 and RMB422,000,000 as at 30 June 2021 and 31 December 2020, respectively, are subject to restrictions on sale and transfer.

### Fair value hierarchy

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

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2021 (Unaudited): Recurring fair value measurement for:				
Commercial buildings	–	–	411,000	411,000
As at 31 December 2020 (Audited): Recurring fair value measurement for:				
Commercial buildings	–	–	422,000	422,000

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

# Notes to Interim Condensed Consolidated Financial Information

## 12. INVESTMENT PROPERTIES (Continued)

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

	Valuation technique	Significant unobservable inputs	Weighted average	
			30 June 2021	31 December 2020
Commercial buildings	Income approach	Estimated rental value (per sq.m. and per month)	<b>RMB169</b>	RMB166
		Rental growth rate (per annum)	<b>3.0%</b>	3.0%
		Discount rate	<b>8.15%</b>	8.2%

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

## 13. TRADE RECEIVABLES

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

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

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.

# Notes to Interim Condensed Consolidated Financial Information

## 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:

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

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

## 15. ISSUED CAPITAL

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

# Notes to Interim Condensed Consolidated Financial Information

## 15. ISSUED CAPITAL (Continued)

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

	Notes	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000	Total RMB'000
As at 1 January 2021		2,700,886,628	27,009	1,148,150	22,818	966,775	989,593
Exercise of share options	(a)	3,856,000	38	1,208	33	1,035	1,068
Cancellation of shares	(b)	(2,336,000)	(23)	(523)	(20)	(439)	(459)
As at 30 June 2021		2,702,406,628	27,024	1,148,835	22,831	967,371	990,202

Notes:

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

## 16. COMMITMENT

As at 30 June 2021, the Group had a capital commitment of RMB5,000,000 (31 December 2020: RMB5,000,000), which is contracted, but not provided for purchase of a financial asset.

# Notes to Interim Condensed Consolidated Financial Information

## 17. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following transactions with a related party during the period:

	Notes	For the six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
A related company*			
Rental income	(i)	356	837
Management fee income	(ii)	69	64

Notes:

- (i) The rental income was paid by a related company for a lease of office premises at a rate mutually agreed between the parties.
- (ii) The management fee income was paid by a related company for property management services provided by the Group at a rate mutually agreed between the parties.
- \* Mr. Liu Xiaosong, a director and the controlling shareholder of the Company, is a key management personnel of this related company.

- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short-term employee benefits	240	240
Pension scheme contributions	82	57
Equity-settled share option expense	–	42
Total compensation paid to key management personnel	322	339

# Notes to Interim Condensed Consolidated Financial Information

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash balances and pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Unobservable input	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income	Market approach	Enterprise-value-to-revenue multiple ("EV/Revenue")	30 June 2021: 5.39 to 6.67 (31 December 2020: 5.39 to 6.67)	Increase/decrease in EV/Revenue would result in increase/decrease in fair value
		Price-to-earnings multiple ("P/E")	30 June 2021: 26.53 (31 December 2020: 26.53)	Increase/decrease in P/E would result in increase/decrease in fair value
		Discounts for lack of marketability ("DLOM")	30 June 2021: 18.4% to 19.5% (31 December 2020: 18.4% to 19.5%)	Increase/decrease in DLOM would result in decrease/increase in fair value
Financial assets at fair value through profit or loss	Market approach	EV/Revenue	30 June 2021: 0.96 to 7.33 (31 December 2020: 0.96 to 7.33)	Increase/decrease in EV/Revenue would result in increase/decrease in fair value
		DLOM	30 June 2021: 19.5% to 35.1% (31 December 2020: 19.5% to 35.1%)	Increase/decrease in DLOM would result in decrease/increase in fair value
		Discount rate	30 June 2021: 2.6% (31 December 2020: 2.6%)	Increase/decrease in discount rate would result in decrease/increase in fair value

# Notes to Interim Condensed Consolidated Financial Information

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value

As at 30 June 2021 (Unaudited):

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	166,787	166,787
Financial assets at fair value through other comprehensive income	–	–	175,736	175,736
	–	–	342,523	342,523

As at 31 December 2020 (Audited):

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	175,136	175,136
Financial assets at fair value through other comprehensive income	–	–	234,641	234,641
	–	–	409,777	409,777



# Notes to Interim Condensed Consolidated Financial Information

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

### Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000
<b>As at 1 January 2020 (Audited)</b>	144,202	233,414
Total gains recognised in the consolidated statement of profit or loss included in other income and gains, net	3,228	–
Total gains recognised in the consolidated statement of comprehensive income	–	1,227
Purchases	44,206	–
Disposals	(16,500)	–
<b>As at 31 December 2020 (Audited) and 1 January 2021</b>	<b>175,136</b>	<b>234,641</b>
Total losses recognised in the interim condensed consolidated statement of profit or loss included in other expenses, net	<b>(13,509)</b>	–
Total losses recognised in interim condensed consolidated statement of comprehensive income	–	<b>(58,905)</b>
Purchases	<b>5,160</b>	–
<b>As at 30 June 2021 (Unaudited)</b>	<b>166,787</b>	<b>175,736</b>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2021 (Year ended 31 December 2020: Nil).

# Notes to Interim Condensed Consolidated Financial Information

## 19. SHARE OPTION SCHEME

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

	<b>Weighted average exercise price per share HK\$</b>	<b>Number of options '000</b>
At 1 January 2020	0.35	112,652
Forfeited during the period	0.22	(2,029)
At 30 June 2020	0.35	110,623
At 1 January 2021	<b>0.32</b>	<b>130,605</b>
Exercised during the period	<b>0.219</b>	<b>(3,856)</b>
Expired during the period	<b>0.65</b>	<b>(10,962)</b>
Forfeited during the period	<b>0.219</b>	<b>(1,989)</b>
At 30 June 2021	<b>0.29</b>	<b>113,798</b>

At the end of the reporting period, the Company had approximately 113,798,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 113,798,000 additional ordinary shares of the Company and additional share capital of approximately HK\$1,138,000 and share premium of approximately HK\$31,863,000 (before issue expenses).

Subsequent to the end of the reporting period, a total of 5,000,000 share options were forfeited. At the date of approval of this interim condensed consolidated financial information, the Company had approximately 108,798,000 share options outstanding under the share option scheme, which represented approximately 4.03% of the Company's shares in issue as at that date.

The Group recognised a share option expense of RMB196,000 (six months ended 30 June 2020: RMB858,000) during the six months ended 30 June 2021 in respect of share options granted in the current and prior periods.

## 20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved by the Board on 20 August 2021.

# Management Discussion and Analysis

## 1. BUSINESS REVIEW AND OUTLOOK

### Business Review for the First Half of 2021

In the first half of 2021, the Group focuses on the pan-entertainment market which consisting of online literature, online games, film and television, short videos, music, etc., along with the vertical development of Intellectual Property (“IP”)’s long chain, continuously integrates and develops between various sub-sectors, and provides content support to each other, achieving development and realization of high-quality IP and IP derivatives. The Group has been developing industrial park business, making research on the products, markets and future development trends of new economic and technological fields so as to make preparation for investing in the new economic and technological fields. During the reporting period, facing changes in the market environment and regulatory policies, and the impact of the COVID-19 pandemic, the Group adjusted the operating strategies of various business segments actively, strengthened control of project initiation and project risk, enhanced control of cost and expense, as well as adjusted internal resources allocation and projects that fall short of expectation, and took relevant measures to avoid the negative impact of the pandemic on the operation of the industry park business.

#### Game Business

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

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

#### Film & Television Business

“Matchmakers of Great Zhou Dynasty” (「大周小冰人」), the lightly funny idol costume drama developed and produced by A8 Film & Television, was broadcasted online in March 2019 on iQIYI video platform. However, in the same month, the National Radio and Television Administration issued regulations restricting the broadcast of costume dramas, resulting in lower final ratings than the Group expected, it still has revenue distribution currently.

As of 30 June 2021, the Group held a total of 29.52% share of the Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司) (“Lanlanlanlan Film & Television”) through capital increase, share acquisition and performance competition. Lanlanlanlan Film & Television is mainly engaged in the business of script writing, script selling and adaptation of scripts and online video content production. In the first half of 2021, Lanlanlanlan has already received a share of revenue from the distribution of three television dramas in 2020, and two new dramas produced and filmed in the first half of the year are expected to be released in the second half of 2021.

# Management Discussion and Analysis

## Online Literatures

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

Sustainable and stable in literature IP copyright operation. For the six months ended 30 June 2021, the revenue generated from copyright operation of Beijing Zhangwen increased by 23% as compared with the corresponding period in 2020. This growth is mainly derived from the development of film and television production and distribution business, audio books business, animations and comics business and third-party reading business.

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

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

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

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

# Management Discussion and Analysis

## Industry Park Business

During the reporting period, for property investment business, the Group's revenue was derived from the rent and property services income of the National Music Industry Park — A8 Music Building. A8 Music Building is located in the core area of Shenzhen Bay Area. It has a superior location with a total gross floor area of 52,500 square meters. It integrates music performance, office and business services. In the first half of 2021, A8 Music Building was awarded the title of Shenzhen Green Energy Building. The Group contributed revenue of approximately RMB39,400,000 in the first half of 2021, representing a steady increase compared to the same period last year.

In the first half of 2021, the commercial leasing market became saturated, coupled with the impact of the pandemic, the entire leasing market down in the doldrums. Facing the challenges, A8 Music Building has actively adopted a number of measures to respond to the pandemic. While organizing the fight against the pandemic, the Group adheres to the business philosophy of "Focusing on customers and demand innovation", stabilized old customers, provided rent reduction package for customers affected by the pandemic, and at the same time developed new customers, increased revenue through multiple channels, and reasonably reduced costs. Also, it continuously improved service quality and achieved significant results to prevent from the impact of the market conditions and the pandemic on the income of the property investment business.

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

## Business Outlook for The Second Half of 2021

The main business direction of the Group in the second half of 2021 will still be the pan-entertainment market, which consists of online literature, online games, film and television, short video and music, and at the same time, the Group will develop the industrial park business and explore the development of new business actively, enforce research of new economic and technological field's products, market and future development trend, enhance research and analysis of the status and companies in new economic and technological industry, and high quality investment targets which are promising. At the same time, the Group will strengthen project management and optimal process, strictly control risks while seeking business chance. The Group will remain concern to the development and status of the pandemic, continue to assess its impact on the Group's financial position and operating results, and take necessary actions to reduce the business risks. The Group will continue to monitor changes in government regulatory policies and market conditions and takes proactive measures to address them. Relying on high-quality management team and excellent operational capabilities, the Group will seek business breakthroughs and development in the pan-entertainment industry, and conduct investment-related work and arrangements in the new economic and technological fields. Sizing up the situation in the changing macroeconomic environment and forge ahead, we have full confidence and expectation for the future.

# Management Discussion and Analysis

## 2. FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2021, the gross revenue of the Group amounted to approximately RMB43.1 million, representing an increase of approximately 1.4% as compared with the corresponding period in 2020 (2020: approximately RMB42.5 million).

### Digital entertainment services

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

### Property investment business

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

### Cost of services provided

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

### Digital entertainment services

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

### Property investment business

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

### Gross profit

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

# Management Discussion and Analysis

## Other income and gains, net

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

## Selling and marketing expenses

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

## Administrative expenses

For the six months ended 30 June 2021, the administrative expenses of the Group amounted to approximately RMB14.3 million, representing a decrease of approximately 12.3% as compared with the corresponding period in 2020 (2020: approximately RMB16.3 million). The decrease in administrative expenses was mainly due to the decrease in expenses so as to meet the needs of the business and development strategies of the Group.

## Other expenses, net

For the six months ended 30 June 2021, the other expenses, net of the Group amounted to approximately RMB26.7 million, significantly increased by approximately 134.2% as compared with the corresponding period in 2020 (2020: approximately RMB11.4 million). For the six months ended 30 June 2021, the other expenses, net consisted of (i) the recognition of fair value loss on investment properties amounted to approximately RMB11.0 million; (ii) the recognition of loss on fair value change of financial assets at fair value through profit or loss amounted to approximately RMB13.5 million; (iii) exchange loss amounted to approximately RMB2.3 million. For the six months ended 30 June 2020, the other expenses, net consisted of (i) a fair value loss on investment properties amounted to RMB5.0 million; (ii) the impairment provision of inventories amounted to approximately RMB3.7 million; (iii) write-off of trade receivables amounted to approximately RMB2.7 million due to the impact of the COVID-19 pandemic, we offered rent and management fee concession to lessees.

## Share of profits and losses of associates, net

For the six months ended 30 June 2021, the Group shared profits and losses of associates amounted to approximately RMB18.4 million, increased by approximately 21.9% as compared with the corresponding period in 2020 (2020: approximately RMB15.1 million). The increase was mainly due to the shared profit of Beijing Zhangwen increased by approximately RMB2.8 million as compared with the corresponding period in 2020.

# Management Discussion and Analysis

## **Income tax expense**

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

## **Profit attributable to equity holders of the Company**

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

## **Liquidity and financial resources**

As at 30 June 2021, cash and cash equivalents and highly liquid short-term assets of the Group including cash and cash equivalents, restricted cash and pledged deposits and financial assets at fair value through profit or loss amounted to approximately RMB535.5 million in aggregate (2020: approximately RMB527.6 million). Among which, approximately RMB94.9 million, or approximately 18% was denominated in RMB.

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

The Group's exposure to changes in interest rate is mainly attributable to its deposits placed with banks. The Group mainly operates in the Mainland China with most of the transactions settled in RMB.

As at 30 June 2021, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

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

As at 30 June 2021, the Group's financial assets at fair value through profit or loss amounted to approximately RMB166.8 million (2020: approximately RMB175.1 million), which was comprised of investments in funds and the derivative financial assets included in non-current assets and wealth management products and listed investments included in current assets. The decrease was mainly attributable to the decrease in fair value of investments in funds.

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

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



# Management Discussion and Analysis

## Human resources

As at 30 June 2021, the Group had 61 employees (as at 30 June 2020: 77 employees). The average headcounts of the period was 67 while it was 85 for the corresponding period in 2020. Total employee costs for the six months ended 30 June 2021, including directors' emoluments, amounted to approximately RMB9.4 million (2020: approximately RMB11.3 million). The decrease is mainly due to the fact that the needs of development strategy of the Group through reducing headcounts for improvement of efficiency and cutting down expenses.

Employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed regularly. A share option scheme has also been put in place for the Company to encourage employees to work towards enhancing the value of the Company and promote the long-term growth of the Company. Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

## 3. USE OF PROCEEDS

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

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

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

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

## 4. SIGNIFICANT INVESTMENTS

The Group did not launch any new significant investments during the six months ended 30 June 2021.

# Management Discussion and Analysis

## 5. MAJOR RISKS AND UNCERTAINTIES

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

### **Business Risk**

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

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

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

### **Policy Risk**

In order to carry out kinds of business, the Group must abide by various policies and regulations. Changes in policies and regulations will affect the development of the Group's business, such as the related authorities adjustments to game industry, film and television industry and education industry, which may lead to significant changes in operating and investing positions of the Group's business.

### **Foreign Exchange Risk**

On 30 June 2021, HK Dollars and US Dollars in cash and cash equivalents held by the Group were approximately HK\$8 million and US\$67.2 million. The Group's main business is located in China, and most of its revenues and expenditures are settled in RMB. Therefore, the Group may face the risk of foreign currency exchange.

# Management Discussion and Analysis

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

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

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

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

# Disclosure of Interests

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the Directors and chief executive of the Company and their associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules and the Company's own code of conduct regarding Directors' dealings in the Company's securities ("Own Code"):

### Long positions in shares of the Company

Name of Directors	Nature of interest	Number of shares		Approximate percentage of interest in the Company's issued share capital <sup>1</sup>
		Ordinary shares	Underlying Shares (under equity derivatives of the Company)	
Mr. Liu Xiaosong ("Mr. Liu")	Founder of trust <sup>2</sup>	1,589,047,398 <sup>3</sup>	Nil	58.80% <sup>3</sup>
	Beneficial Owner	5,766,000	53,957,600 <sup>3</sup>	2.21%
Mr. Lin Qian	Beneficial Owner	Nil	5,000,000 <sup>3</sup>	0.19%
Mr. Chan Yiu Kwong	Beneficial Owner	Nil	1,100,000 <sup>3</sup>	0.04%
Ms. Wu Shihong	Beneficial Owner	Nil	900,000 <sup>3</sup>	0.03%
Mr. Li Feng	Beneficial Owner	Nil	1,050,000 <sup>3</sup>	0.04%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 June 2021 (i.e. 2,702,406,628 Shares).
- Mr. Liu is the founder of a family trust which is deemed under SFO to be interested in all the shares held by Ever Novel Holdings Limited ("Ever Novel") and Prime Century Technology Limited ("Prime Century") and Grand Idea Holdings Limited ("Grand Idea") in the Company. As at 30 June 2021, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,076,371,095 shares, and Grand Idea directly held 87,880,000 shares in the Company.
- Details of share options held by the Directors are shown in the section of "Share Option Schemes". The Company granted 5,000,000 share options to Mr. Lin Qian on April 5, 2017 in accordance with the Share Option Scheme. Due to the resignation of Mr. Lin Qian as a director, the 5,000,000 share options granted have forfeited since July 15, 2021.

# Disclosure of Interests

## Long positions in associated corporations of the Company

<b>Name of associated corporations</b>	<b>Name of Directors</b>	<b>Nature of Interest</b>	<b>Registered capital/no. of shares held</b>	<b>Approximate percentage of interest in the total issued share capital</b>
Beijing Duomi Online Technology Co., Ltd (“Beijing Duomi”) <sup>1</sup>	Mr. Liu	Beneficial owner	25,383,000 <sup>2</sup>	28.71%

Notes:

1. Beijing Duomi is a limited liability company incorporated in the PRC. As at 30 June 2021, the Company was interested in 22.51% of the registered capital of Beijing Duomi through its wholly-owned subsidiary, Kuaitonglian, and therefore Beijing Duomi is an associated corporation of the Company. Mr. Liu was directly interested in 28.71% of the shares of Beijing Duomi.
2. This represents the number of shares of Beijing Duomi held by Mr. Liu.

Save as disclosed, as at 30 June 2021, none of the Directors, chief executives and their respective associates had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or are required, pursuant to section 352 of the SFO to be entered into the register referred to therein; or are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

# Disclosure of Interests

## SHARE OPTION SCHEMES

The “Pre-IPO Share Option Scheme” and the “2008 Share Option Scheme” adopted by the Company in 2008 (collectively referred to as “Lapsed Share Option Schemes”) have been automatically lapsed, and no option may be granted subject to and/or according to the Lapsed Share Option Schemes, save that the provisions under the Lapsed Share Option Schemes remain in full force and effect in other aspects, and that options granted under such schemes prior to termination remain effective and exercisable in accordance with the terms of issuance.

On 25 May 2018, the shareholders of the Company adopted a new share option scheme (the “2018 Share Option Scheme”) (with Pre-IPO Share Option Scheme and 2008 Share Option Scheme collectively called “Share Option Schemes”) for the purpose of providing incentives and rewards to its Directors, executive officers, employees and other eligible persons. The 2018 Share Option Schemes shall be valid for ten years from the effective date (which takes effect from 29 May 2018 to 28 May 2028). As of 30 June 2021, the remaining life of the 2018 Share Option Scheme is around 6 years and 11 months.

The following table discloses movements in the Company’s share options outstanding under the Share Option Scheme during the period:

Name/category of participants	At 31 December 2020	Exercised during the period	Granted during the period	Expired during the period	Forfeited during the period	At 30 June 2021	Date of grant of share options	Vesting period of share options	End of exercise period	Exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
<b>Directors of the Group</b>											
Liu Xiaosong	61,557,600	-	-	7,600,000	-	53,957,600					
	7,600,000	-	-	7,600,000	-	-	23 April 2014	One-fourth of the share options granted will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
	4,807,600	-	-	-	-	4,807,600	14 May 2015	One-fourth of the share options granted will be vested every 12-month period starting from 14 May 2016	14 May 2022	1.04	1.04
	8,910,000	-	-	-	-	8,910,000	16 May 2016	One-third of the share options granted will be vested every 12-month period starting from 16 May 2017	16 May 2023	0.56	0.54
	1,715,000	-	-	-	-	1,715,000	9 January 2018	2018 One-half of the share options granted will be vested on 16 May 2018 and the other one-half on 16 May 2019	9 January 2025	0.57	0.56
	18,543,000	-	-	-	-	18,543,000	20 June 2019	The share options granted was fully vested at one time on 20 June 2019	20 June 2029	0.221	0.220
	19,982,000	-	-	-	-	19,982,000	9 September 2020	The share options granted was fully vested at one time on 9 September 2020	9 September 2030	0.167	0.166
Lin Qian	5,000,000	-	-	-	-	5,000,000	5 April 2017	One-fourth of the share options granted will be vested every 12-month period starting from 24 December 2017	5 April 2024	0.512	0.51

# Disclosure of Interests

Name/category of participants	At 31 December 2020	Exercised during the period	Granted during the period	Expired during the period	Forfeited during the period	At 30 June 2021	Date of grant of share options	Vesting period of share options	End of exercise period	Exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant of grant HK\$ per share
Chan Yiu Kwong	1,415,000	-	-	315,000	-	1,100,000					
	315,000	-	-	315,000	-	-	23 April 2014	One-fourth of the share options granted will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
	1,100,000	-	-	-	-	1,100,000	7 May 2018	One-fourth of the share options granted will be vested every 12-month period starting from 7 May 2018	7 May 2025	0.439	0.44
Wu Shihong	1,320,000	-	-	420,000	-	900,000					
	420,000	-	-	420,000	-	-	23 April 2014	One-fourth of the share options granted will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
	900,000	-	-	-	-	900,000	7 May 2018	One-fourth of the share options granted will be vested every 12-month period starting from 7 May 2018	7 May 2025	0.439	0.44
Li Feng	1,050,000	-	-	-	-	1,050,000					
	150,000	-	-	-	-	150,000	21 April 2017	One-half of the share options granted will be vested at 24 April 2017 and 24 April 2018, respectively	21 April 2024	0.487	0.51
	900,000	-	-	-	-	900,000	7 May 2018	One-fourth of the share options granted will be vested every 12-month period starting from 7 May 2018	7 May 2025	0.439	0.44
<b>Subtotal</b>	<b>70,342,600</b>	<b>-</b>	<b>-</b>	<b>8,335,000</b>	<b>-</b>	<b>62,007,600</b>					
<b>Other employees of the Group</b>											
	1,377,053	-	-	1,377,053	-	-	23 April 2014	One-fourth of the share options granted will be vested every 12-month period starting from 23 April 2015	23 April 2021	0.65	0.65
	1,250,000	-	-	1,250,000	-	-	23 April 2014	All of the share options granted have been vested on 15 October 2015	23 April 2021	0.65	0.65
<b>Subtotal</b>	<b>2,627,053</b>	<b>-</b>	<b>-</b>	<b>2,627,053</b>	<b>-</b>	<b>-</b>					
<b>Other eligible persons of the Group</b>											
	57,635,424	3,856,000	-	-	1,988,544	51,790,880	28 June 2019	50%, 30% and 20% of the share options granted will be vested every 12-month period starting from 30 June 2019 respectively	28 June 2029	0.219	0.219
<b>Subtotal</b>	<b>57,635,424</b>	<b>3,856,000</b>	<b>-</b>	<b>-</b>	<b>1,988,544</b>	<b>51,790,880</b>					
<b>TOTAL</b>	<b>130,605,077</b>	<b>3,856,000</b>	<b>-</b>	<b>10,962,053</b>	<b>1,988,544</b>	<b>113,798,480</b>					

# Disclosure of Interests

During the six months ended 30 June 2021, 3,856,000 share option granted under this Scheme was exercised, 10,962,053 share options granted under the Share Option Scheme were lapsed due to the end of the exercise period and 1,988,544 share options were forfeited following the resignation of the relevant employees and eligible persons.

The Company granted 5,000,000 share options to Mr. Lin Qian on April 5, 2017 in accordance with the Share Option Scheme. Due to the resignation of Mr. Lin Qian as a director, the 5,000,000 share options granted have forfeited since July 15, 2021. As at the date of approval of this interim report, there were 108,798,480 outstanding share options granted under the Share Option Scheme, representing approximately 4.03% of the issued share capital of the Company.

Please refer to note 19 to the financial statements for further information of the Share Option Scheme and the value of share options granted.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, the persons or corporations (other than a Director or chief executive of the Company) who have interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or have otherwise notified to the Company are as follows:

Name of substantial shareholders	Nature of interest	Number of Ordinary shares (long positions)	Approximate percentage of interest in the Company's issued share capital <sup>1</sup>
HSBC International River Road	Trustee (other than a bare trustee) <sup>2</sup>	1,589,047,398	58.80%
Knight Bridge	Interest in controlled corporation <sup>2</sup>	1,589,047,398	58.80%
Ever Novel	Interest in controlled corporation <sup>2</sup>	1,501,167,398	55.55%
Prime Century	Interest in controlled corporation <sup>3</sup>	424,796,303	15.72%
	Beneficial Owner <sup>3</sup>	1,076,371,095	39.83%
	Beneficial Owner <sup>3</sup>	424,796,303	15.72%



# Disclosure of Interests

## Notes:

1. The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 June 2021 (i.e. 2,702,406,628 Shares).
2. HSBC International Trustee Limited ("HSBC International") is the trustee of family trusts of Mr. Liu, which, through intermediate holding companies (including but not exclusively River Road Investment Limited ("River Road"), Knight Bridge Holding Limited ("Knight Bridge"), Ever Novel, Prime Century and Grand Idea, exercise or control the exercise of one third or more voting power at the general meetings of such companies and is deemed under the SFO to be interested in the shares of the Company held by such companies (as at 30 June 2021, 1,589,047,398 Shares in total).
3. As at 30 June 2021, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,076,371,095 shares in the Company. Ever Novel was entitled to exercise or control the exercise of one third or more of the voting power at the general meetings of Prime Century and was deemed to be interested in the 424,796,303 shares in the Company held directly by Prime Century.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other person or corporation other than the Directors or chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests in shares and underlying shares" above having an interest or short position in the shares or underlying shares of the Company representing 5% or more of the issued share capital of the Company which is required to be recorded pursuant to section 336 of the SFO.

# Information on the Contractual Arrangements

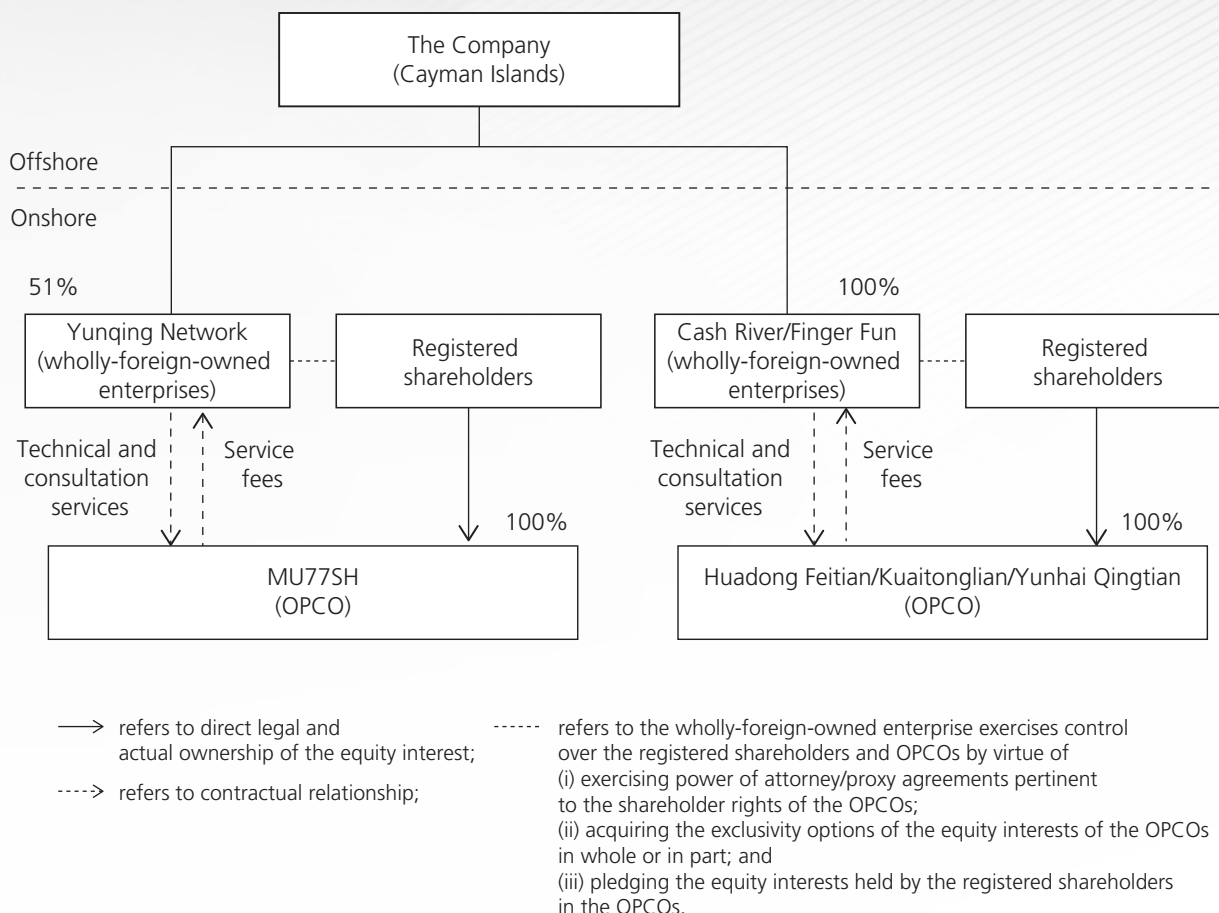
## **CONTRACTUAL ARRANGEMENTS**

Due to restrictions in the PRC laws and regulations on foreign investment in businesses providing telecommunications value-added services and mobile online game services in the PRC, the Group has entered into a number of contracts (“Structure Contracts”) with certain PRC operating companies (“OPCOs”) solely for the purpose of operating the Group’s relevant businesses in the PRC (“Contractual Arrangements”). Pursuant to the Contractual Arrangements, the Company acquired the de factor control over the business operations of the OPCOs, and is entitled to economic benefits generated from the business operations of the OPCOs. In this regard, the Board is of opinion that the Company is able to consolidate the financial results of these OPCOs into the financial results of the Group as if they are the subsidiaries of the Company.

The Company entered into the agreements about Huadong Feitian, Kwaitonglian, Yunhai Qingtian (the “2004 Structure Contracts”) in 2004. In 2015, in light of the new requirements of the Stock Exchange and, to keep align with the recent practices commonly adopted by other listed companies in relation to the terms and conditions of the structure contracts to strengthen the control of the Company over the OPCOs, the Group has entered into new contracts (the “2015 Structure Arrangements”) to replace the 2004 Structure Contracts in order to align with such new regulatory requirements and the recent practices. The Group entered into the agreements about Mu77SH in 2018 (“2018 Structure Contracts”), pursuant to which Yunqing Network, an indirect wholly-owned subsidiary of the Company, may exercise effective control over the finance and operations of Mu77SH, and is fully entitled to economic benefits generated from Mu77SH. Because of the change of registered shareholders of Huadong Feitian, the Group entered into the new agreements about Huadong Feitian in 2020 (“2020 Structure Contracts”). Due to the change of registered shareholders of Mu77SH, the Group entered into the new agreements about Mu77SH on 26 February 2021 (“2021 Structure Contracts”). “2015 Contractual Arrangements of Kwaitonglian and Yunhai Qingtian”, “2020 Contractual Arrangements of Huadong Feitian” and “2021 Contractual Arrangements of Mu77SH” collectively referred to as “Structure Contracts”).

# Information on the Contractual Arrangements

The following figure sets out the Contractual Arrangements entered into on 30 June 2021:



Particulars of OPCOs and its registered shareholders:

- (1) Shenzhen Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網絡技術開發有限公司) ("Huadong Feitian") is a limited liability company established in the PRC on 22 May 2000, the registered shareholders of which are Mr. Liu Xiaofeng (75%) and Ms. Li Wei (25%). Huadong Feitian and its subsidiaries are principally engaged in the provision of internet information service property investment and music performance.
- (2) Shenzhen Kuaitonglian technology Co., Ltd. (深圳市快通聯科技有限公司) ("Kuaitonglian") is a limited liability company established in the PRC on 10 May 2004, the registered shareholders of which are Mr. Zhang Shouqi (80%) and Ms. Ma Hongxia (20%). Kuaitonglian and its subsidiaries are principally engaged in the provision of mobile value-added services.
- (3) Shenzhen Yunhai Qingtian Cultural Broadcasting Co., Ltd. (深圳市雲海情天文化傳播有限公司) ("Yunhai Qingtian") is a limited liability company established in the PRC on 9 December 2004, the registered shareholder of which is Mr. Cao Aiguo (100%). Yunhai Qingtian and its subsidiaries are principally engaged in the provision of game publishing services and value-added telecommunication services.

# Information on the Contractual Arrangements

- (4) Shanghai Mu77 Network technology Company Limited (上海木七七網絡科技有限公司) (“Mu77SH”) is a limited liability company established in the PRC, the registered shareholders of which are Huadong Feitian (51%). Tianjin Muba Business Management Consulting Center (Limited Partnership) (天津木巴企業管理諮詢中心(有限合夥)) (“Tianjin Muba”) (39%) and Linzhi Tencent technology Co., Ltd. (林芝騰訊科技有限公司) (“Linzhi Tencent”) (10%). Mu77SH is principally engaged in mobile online game research and development and operation.

Details of wholly-foreign-owned enterprises:

- (1) Cash River Information technology (Shenzhen) Co., Ltd. (佳仕域信息科技(深圳)有限公司) (“Cash River”), an indirect wholly-owned subsidiary of the Group;
- (2) Shenzhen Finger Fun Network technology Co., Ltd. (深圳市指遊方寸網絡科技有限公司) (“Finger Fun”), an indirect wholly-owned subsidiary of the Group;
- (3) Yunqing Network technology (Shanghai) Limited (蘊清網絡科技(上海)有限公司) (“Yunqing Network”), an indirect wholly-owned subsidiary of the Group.

## SUMMARY OF THE MAJOR TERMS OF STRUCTURE CONTRACTS

Set out below are the Contractual Arrangements entered into between each wholly-foreign-owned enterprise and OPCO, including various specific agreements.

### (1) Exclusive Business Cooperation Agreement/Exclusive Business Cooperation and Service Agreement

OPCOs entered into the Exclusive Business Cooperation Agreements with wholly-foreign-owned enterprises, pursuant to which wholly-foreign-owned enterprises provide technical support, business support and related consultancy services which include but not limited to technical service, business consultation, equipment leasing, market consultation, system integration, product research and development and system maintenance, and intellectual property rights. Without prior written consent by the wholly-foreign-owned enterprises within the validity of the Exclusive Business Cooperation Agreement, the OPCOs are not permitted to receive any other services provided by any third party, in which case, the wholly-foreign-owned enterprises are entitled to appoint a third party to provide services to the OPCOs. Furthermore, the wholly-foreign-owned enterprises provide certain technical, business, and consultation services to the OPCOs, and charge service fees, which shall be determined by both parties to ensure that the wholly-foreign-owned enterprises are entitled to economic benefits under the Contractual Arrangements.

# Information on the Contractual Arrangements

## **(2) Power of Attorney/Proxy Agreements**

The registered shareholders entered into the power of attorney/proxy agreements with wholly-foreign-owned enterprises, respectively, pursuant to which the registered shareholders agree to authorize any person designated by the wholly-foreign-owned enterprises to exercise all of their rights and powers as shareholders, including convening and attending the shareholders' meeting, exercising the voting right and other shareholder's rights and powers, without seeking consent from the registered shareholders, and agree and undertake that the wholly-foreign-owned enterprises agree not to exercise all of their powers and rights attached to the equity interests as held by them. With effect from the date of signing, the proxy agreements will remain in force until the registered shareholders are no longer the shareholders of the OPCOs. The power of attorney will remain effective to the extent that each of the registered shareholders holds the equity interests in the OPCOs.

## **(3) Share Disposition and Exclusive Option to Purchase Agreement/Exclusive Option to Purchase Agreement**

The registered shareholders irrevocably grant the wholly-foreign-owned enterprises the exclusive options to make, or designate one person or many persons to make, to the extent as permitted under the PRC laws, one or more purchases of the equity interests in whole or in part of the OPCOs as held by the registered shareholders, at a purchase price of RMB1.00, or at the minimum option price as permitted by the PRC laws (in case that the minimum price as permitted by the then PRC laws in effect is higher than RMB1.00). The OPCOs and registered shareholders undertake that they will (including) neither directly or indirectly distribute dividends to the shareholders of the OPCOs without consent by the wholly-foreign-owned enterprises, nor make acquisitions or any investments in any person. The Share Disposition and Exclusive option to Purchase Agreement/Exclusive option to Purchase Agreement will always remain effective until all of the equity interests held by the registered shareholders in the OPCOs are transferred to the wholly-foreign-owned enterprises or the persons so designated by them.

## **(4) Equity Interest Pledge Agreement**

The registered shareholders, OPCOs, and wholly-foreign-owned enterprises OPCOs entered into the Equity Interest Pledge Agreements, respectively, pursuant to which the registered shareholders agree to pledge all of their respective equity interest in the OPCOs to the wholly-foreign-owned enterprises as secured interests for the performance of contractual liabilities. The pledge relating to OPCOs takes effect upon being registered with the relevant administration for commerce and industry, and remain effective until the registered shareholders and OPCOs fully fulfil all of the obligations under the relevant Contractual Arrangements.

Each Structure Contract contains the clause governing settlement of dispute, pursuant to which, the Structure Agreement is governed by the PRC laws and regulations and construed under the PRC laws. In case of any dispute arising from the performance of or in connection with the Structure Agreement, any party thereto shall be entitled to submit such dispute to the arbitration commissions in the PRC (which are China International Economic and trade Arbitration Commission South China Branch in case of Huadong Feitian, Kwaitonglian, Yunhai Qingtian, Cash River, Finger Fun, and their respective registered shareholders, or China International Economic and trade Arbitration Commission Shanghai Branch in case of Yunqing Network, Mu77SH, and their respective registered shareholders) for arbitration in accordance with the then arbitration rules in effect. The arbitration shall be kept confidential, during which, the language is Chinese. The arbitration ruling shall be final and bear binding effects on each party thereto.

# Information on the Contractual Arrangements

## **RISKS RELATING TO CONTRACTUAL ARRANGEMENTS**

### **The PRC government may determine that the Structure Contracts do not comply with the applicable laws and regulations**

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”), which was adopted at the Second Session of the thirteenth National People’s Congress of the PRC on 15 March 2019 and came into force as of 1 January 2020, provides that “foreign investment” refers to the investment activities in the PRC carried out directly or indirectly by foreign individuals, enterprises or other organizations (the “Foreign Investors”), including the following: (i) Foreign Investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (ii) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) Foreign Investors investing in new projects in the PRC alone or collectively with other investors; and (iv) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State Council adopts the management system of pre-establishment national treatment and negative list for foreign investment. The “pre-establishment national treatment” refers to granting to Foreign Investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; and the “negative list” refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State Council. The State Council will grant national treatment to foreign investments outside of the negative list. The Negative List 2021 has not been released yet, The Negative List 2020 approved by the State Council and released by the relevant authorities on 23 June 2020 is still applicable. After the FIL came into effect, the FIL replaced the Foreign- owned Enterprise Law and the Sino-foreign Equity Joint Venture Enterprise Law of the PRC.

### **Possible impact of the FIL**

The FIL does not expressly stipulate the VIE structure as a form of foreign investment, we cannot assure you that future laws, administrative regulations or provisions to be issued by the State Council will not deem the VIE structure as a way of foreign investment, and then whether our VIE Structure will be deemed to be in violation of the foreign investment access requirements remains uncertain. If the VIE Structure is classified as a way of foreign investment, the Group may be required to terminate the Structure Contracts and dispose of the business conducted by OPCOs.

The Board will monitor the development of the FIL and discuss with the PRC Legal Adviser on a regular basis in order to assess its possible impacts on the Structure Contracts and the business of the Company. In case there would be material impacts on the Group’s or OPCOs’s business, the Company will timely publish announcements in relation to (i) any updates or material changes to the FIL and (ii) if any updates or material changes to the FIL is implemented, a clear description and analysis of the law, any material impact on the Company’s operations and financial position and specific measures to be taken to comply with the law (supported by advice from the PRC Legal Adviser).

# Information on the Contractual Arrangements

## **The Structure Contracts may not be as effective as direct ownership in providing control over OPCOs**

The Structure Contracts may not be as effective as direct ownership in providing the Group with control over OPCOs. If the Group has direct ownership of OPCOs, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of OPCOs. However, under the Structure Contracts, the Group relies on the performance by the Registered Shareholders of their obligations under the Structure Contracts to exercise control over OPCOs.

In addition, if the Registered Shareholders or OPCOs fail to perform their respective obligations under the Structure Contracts or otherwise have disputes with the Group, the Group may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. There can be no assurance that the outcome will be in the Group's favour and it may adversely affect the Group's ability to control OPCOs.

## **The Registered Shareholders may potentially have a conflict of interests with the Group**

The Group's control over OPCOs is based on the contractual arrangement under the Structure Contracts. Therefore, conflict of interests of the Registered Shareholders will adversely affect the interests of the Company. Pursuant to the Proxy Agreements, the Registered Shareholders irrevocably appointed wholly-foreign-owned enterprises or their designee as their exclusive agent and authorised person to exercise their rights as the shareholders of OPCOs. Therefore, it is unlikely that there will be potential conflict of interests between the Group and the Registered Shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Group will consider removing and replacing the Registered Shareholders through procuring wholly-foreign-owned enterprises to exercise their option under the Share Disposal and Exclusive option to Purchase Agreements.

## **The Structure Contracts may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

The Group may face material adverse tax consequence if the PRC tax authorities determine that the arrangement under the Structure Contracts was not entered into on an arm's length basis. If the PRC tax authorities determine that the Structure Contracts were not entered into on an arm's length basis, they may adjust income and expenses of wholly-foreign-owned enterprises and/or OPCOs for PRC tax purposes, which could result in higher tax liabilities on wholly-foreign-owned enterprises and/or OPCOs.

The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of OPCOs or wholly-foreign-owned enterprises increase significantly or if they are required to pay interest on late payments and other penalties.

# Information on the Contractual Arrangements

## **Certain terms of the Structure Contracts may not be enforceable under PRC laws**

The Structure Contracts are governed by the PRC laws and all disputes which cannot be resolved by negotiations will be submitted for arbitration, whose ruling will be final and binding. Accordingly, the Structure Contracts would be interpreted in accordance with the PRC laws and disputes would be resolved in accordance with PRC legal procedures. The uncertainties in the PRC legal system could limit the Group's ability to enforce the Structure Contracts. In the event that the Group is unable to enforce the Structure Contracts, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert control over OPCOs.

In the event that OPCOs or any of the Registered Shareholders breaches the terms of the Structure Contracts, the Group may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over OPCOs could be materially and adversely affected.

## **A substantial amount of costs and time may be involved in transferring the ownership of OPCOs to the Group under the Share Disposal and Exclusive Option to Purchase Agreements**

The Share Disposal and Exclusive option to Purchase Agreements granted wholly foreign-owned enterprises or their designee an irrevocable and exclusive right to purchase all or part of the equity interest in OPCOs through a single or a series of transaction(s) at RMB1.00, or if the minimum price allowed by the PRC laws then in effect is higher than RMB1.00, then the equity interest purchase price shall be the lowest price allowed by the PRC laws.

In case wholly foreign-owned enterprises exercises their option to acquire all or part of the equity interests in OPCOs under the Share Disposal and Exclusive option to Purchase Agreements, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the PRC laws. In addition, such acquisition may be subject to a minimum price limitation (such as an appraised value for the equity interests in OPCOs or other price limitations as imposed by the applicable PRC laws. Further, a substantial amount of costs and time may be involved in transferring the ownership of OPCOs to wholly foreign-owned enterprises or their designee, which may have a material adverse impact on the Group's business, prospects and results of operation.

## **The Company does not have any insurance which covers the risks relating to the Structure Contracts and the transactions contemplated thereunder**

The insurance of the Group does not cover the risks relating to the Structure Contracts and the transactions thereunder and the Company has no intention to purchase any insurance in this regard. If any risk arises from the Structure Contracts in the future, such as those affecting the enforceability of the Structure Contracts and the operation of OPCOs, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk. the Group will continue evaluating the feasibility, the cost and the benefit of insuring the transactions under the Structure Contracts.



# Other Information

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 2021.

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

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

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

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2021, all the code provisions set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the "**CEO**") to be performed by different individuals.

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

## REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim condensed consolidated interim financial information for the six months ended 30 June 2021. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial information was prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the six months ended 30 June 2021.

## AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2021.

## CHANGES TO DIRECTORS' INFORMATION

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

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

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

Hong Kong, 20 August 2021