



A8 新媒体集团

A8 NEW MEDIA GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00800



Interim Report

2022



黑岩
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Corporate Information

EXECUTIVE DIRECTORS

Mr. Liu Xiaosong
Mr. Ji Bo

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. Ji Bo

COMPANY SECRETARY

Ms. Gao Keying

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
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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

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Shenzhen City
Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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6–8 Harbour Road
Wanchai
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
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WEBSITE

www.a8nmg.com

STOCK CODE

00800

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	116,829	119,548
Investment properties	12	413,000	412,000
Right-of-use assets		11,738	12,538
Goodwill	13	–	9,278
Intangible assets		808	1,172
Investments in associates		307,578	299,690
Financial assets at fair value through profit or loss		110,316	101,858
Financial assets at fair value through other comprehensive income		155,756	150,571
Deferred tax assets		160	235
Total non-current assets		1,116,185	1,106,890
CURRENT ASSETS			
Inventories		596	603
Trade receivables	14	4,635	1,061
Prepayments, other receivables and other assets		4,602	5,086
Financial assets at fair value through profit or loss		91,800	300
Restricted cash balances and pledged deposits		17	65
Cash and cash equivalents		490,075	555,390
Total current assets		591,725	562,505
CURRENT LIABILITIES			
Trade payables	15	8,023	7,754
Other payables and accruals		42,448	51,008
Tax payable		10,432	18,351
Lease liabilities		–	402
Total current liabilities		60,903	77,515
NET CURRENT ASSETS		530,822	484,990
TOTAL ASSETS LESS CURRENT LIABILITIES		1,647,007	1,591,880

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		108,806	105,895
Lease liabilities		–	243
Total non-current liabilities		108,806	106,138
Net assets		1,538,201	1,485,742
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	22,928	22,870
Reserves		1,516,999	1,465,258
Non-controlling interests		1,539,927 (1,726)	1,488,128 (2,386)
Total equity		1,538,201	1,485,742

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company													
	Share capital (Unaudited) RMB'000	Share premium account (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	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2022	22,870	968,683	29,135	10,522	114,490	33,126	(21,581)	10,326	23,913	4,422	292,222	1,488,128	(2,386)	1,485,742
Profit for the period	-	-	-	-	-	-	-	-	-	-	26,438	26,438	660	27,098
Other comprehensive income for the period:														
Exchange differences on translation of financial statements	-	-	-	-	-	-	20,204	-	-	-	-	-	-	-
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	3,889	-	-	-	-	-	-	3,889	-	3,889
Total comprehensive income for the period	-	-	-	-	3,889	-	20,204	-	-	-	26,438	50,531	660	51,191
Issue of shares	58	1,976	-	-	-	(766)	-	-	-	-	-	1,268	-	1,268
Transfer of reserve upon the forfeiture or lapse of share options	-	-	-	-	-	(3,003)	-	-	-	3,003	-	-	-	-
At 30 June 2022	22,928	970,659*	29,135*	10,522*	118,379*	29,357*	(1,377)*	10,326*	23,913*	4,422*	321,663*	1,539,927	(1,726)	1,538,201
At 1 January 2021	22,818	966,775	29,135	10,522	177,543	37,048	(15,338)	10,326	18,518	4,422	234,823	1,496,592	125	1,496,717
Profit for the period	-	-	-	-	-	-	-	-	-	-	43,451	43,451	(1,461)	41,990
Other comprehensive loss for the period:														
Exchange differences on translation of financial statements	-	-	-	-	-	-	(3,914)	-	-	-	-	(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)	-	(44,178)
Total comprehensive loss for the period	-	-	-	-	(44,178)	-	(3,914)	-	-	-	43,451	(4,641)	(1,461)	(6,102)
Equity-settled share-based payment arrangements	-	-	-	-	-	196	-	-	-	-	-	196	-	196
Repurchase and cancellation of shares	(20)	(439)	-	-	-	-	-	-	-	-	-	(459)	-	(459)
Transfer of reserve upon the forfeiture or lapse of share options	-	-	-	-	-	(4,581)	-	-	-	4,581	-	-	-	-
Issue of shares	33	1,035	-	-	-	(354)	-	-	-	-	-	714	-	714
At 30 June 2021	22,831	967,371	29,135	10,522	133,365	32,309	(19,252)	10,326	18,518	4,422	282,855	1,492,402	(1,336)	1,491,066

* These reserve accounts comprise the consolidated reserves of RMB1,516,999,000 in the interim condensed consolidated statement of financial position as at 30 June 2022.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	14,872	23,070
Tax paid	(10,063)	(10,222)
Net cash flows from operating activities	4,809	12,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(94,500)	(5,160)
Purchases of items of property, plant and equipment	–	(13)
Interest received	2,215	8,768
Decrease in restricted cash and pledged deposits	48	39,856
Proceeds from disposal of items of property, plant and equipment	39	2
Dividend received	1,261	32,057
Net cash flows from/(used in) investing activities	(90,937)	75,510
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	–	(41,000)
Proceeds from issues of shares	1,268	714
Repurchase of shares	–	(459)
Principal portion of lease payments	(659)	(389)
Interest paid	–	(628)
Net cash flows from/(used in) financing activities	609	(41,762)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(85,519)	46,596
Cash and cash equivalents at beginning of period	555,390	437,838
Effect of foreign exchange rate changes, net	20,204	(3,914)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	490,075	480,520

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	490,075	447,520
Non-pledged time deposits	–	43,596
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	490,075	491,116
Time deposits with original maturity of more than three months when acquired	–	(10,596)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	490,075	480,520

Notes to Interim Condensed Consolidated Financial Information

1. CORPORATE INFORMATION

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

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

- cultural business
- property investment

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

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the current period’s unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

Notes to Interim Condensed Consolidated Financial Information

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- d. *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. OPERATING SEGMENT INFORMATION

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

- (a) the cultural business segment engages in the provision of (1) music-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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs (other than interest on lease liabilities) and corporate and other unallocated income and expenses, net are excluded from such measurement.

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

	Cultural business		Property investment		Total	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Segment revenue	10,022	3,713	39,735	39,436	49,757	43,149
Cost of services provided	(3,890)	(2,001)	(8,028)	(7,609)	(11,918)	(9,610)
Gross profit	6,132	1,712	31,707	31,827	37,839	33,539
Segment results	(3,498)	11,928	31,127	19,055	27,629	30,983
Reconciliation:						
Bank interest income					2,213	4,102
Finance costs (other than interest on lease liabilities)					-	(628)
Corporate and other unallocated income and expenses, net					1,088	12,856
Profit before tax					30,930	47,313
Income tax expense					(3,832)	(5,323)
Profit for the period					27,098	41,990

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

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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers		
Game-related operations	9,425	2,841
Music-based entertainment	556	857
Film and television production	41	15
Property management services	8,244	8,597
	18,266	12,310
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	909	816
Other lease payments, including fixed payments	30,582	30,023
	31,491	30,839
	49,757	43,149
Other income and gains, net		
Bank interest income	2,213	4,102
Fair value gains on financial assets at fair value through profit or loss, net	5,458	–
Fair value gains on investment properties	1,000	–
Foreign exchange differences, net	3,131	–
Dividend income from financial assets at fair value through profit or loss	1,261	29,057
Dividend income from a financial asset at fair value through other comprehensive income	–	3,000
Others	1,508	2,657
	14,571	38,816

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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest on bank loans	–	628
Interest on lease liabilities	14	6
	14	634

7. PROFIT BEFORE TAX

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

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

* Included in "Other expenses, net" on the face of the 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.

Notes to Interim Condensed Consolidated Financial Information

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

An analysis of the income tax charges for the six months ended 30 June 2022 and 2021 is as follows:

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

9. INTERIM DIVIDEND

The board of directors (the “**Board**”) did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Notes to Interim Condensed Consolidated Financial Information

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

Basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2022 is based on the profit for the period attributable to the ordinary equity holders of the Company and the total of (i) the weighted average number of ordinary shares as used in the basic earnings per share calculation and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021.

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Earnings		
Profit for the period attributable to ordinary equity holders of the Company for the purpose of basic and diluted earnings per share	26,438	43,451
	Number of shares	
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,712,098	2,702,863
Effect of dilution — weighted average number of ordinary shares:		
Share options	34,878	—
	2,746,976	2,702,863

11. PROPERTY, PLANT AND EQUIPMENT

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

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

Notes to Interim Condensed Consolidated Financial Information

12. INVESTMENT PROPERTIES

	(Unaudited) RMB'000
At 1 January 2021	422,000
Fair value losses on investment properties	(10,000)
At 31 December 2021 and 1 January 2022	412,000
Fair value gains on investment properties	1,000
At 30 June 2022	413,000

The Group's investment properties were revalued on 30 June 2022 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuers.

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

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 reporting period, 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 RMB413,000,000 and RMB412,000,000 as at 30 June 2022 and 31 December 2021, respectively, are subject to restrictions on sale and transfer.

Notes to Interim Condensed Consolidated Financial Information

12. INVESTMENT PROPERTIES (Continued)

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 2022 (Unaudited): Recurring fair value measurement for:				
Commercial buildings	–	–	413,000	413,000
As at 31 December 2021 (Audited): Recurring fair value measurement for:				
Commercial buildings	–	–	412,000	412,000

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.

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 2022	31 December 2021
Commercial buildings	Income approach	Estimated rental value (per sq.m. and per month)	RMB162	RMB165
		Rental growth rate (per annum)	3.00%	3.00%
		Discount rate	8.15%	8.20%

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.

Notes to Interim Condensed Consolidated Financial Information

13. GOODWILL

Goodwill acquired through business combinations is allocated to the game-related entertainment cash-generating unit (“**Game-related Entertainment CGU**”).

During the six months ended 30 June 2022, the prolonged COVID-19 pandemic, including the outbreaks in Mainland China caused by the Delta and Omicron variants, influence of the national policies on the protection of minors and fierce competition in the game industry, which had an unprecedented negative impact on the business and operation of the Game-related Entertainment CGU. Management re-assessed the outlook and future performance of the Game-related Entertainment CGU. Taking into consideration potential external challenges and expected business and market developments, the recoverable amount of the Game-related Entertainment CGU as at the end of the reporting period estimated by management based on the current estimate of value in use has been significantly reduced as compared to the previous estimate, resulting in the recognition of impairment losses for the period arising from the full impairment of goodwill allocated to the Game-related Entertainment CGU of approximately RMB9,278,000, within the cultural business segment.

14. TRADE RECEIVABLES

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Billed		
Within 1 month	1,297	207
1 to 2 months	989	218
2 to 3 months	956	13
Over 3 months	970	11
	4,212	449
Unbilled	423	612
	4,635	1,061

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

15. TRADE PAYABLES

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 month	940	35
1 to 3 months	2	86
4 to 6 months	5	35
Over 6 months	7,076	7,598
	8,023	7,754

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

16. ISSUED CAPITAL

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

Notes to Interim Condensed Consolidated Financial Information

16. ISSUED CAPITAL (Continued)

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

	Note	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
As at 1 January 2022		2,707,190,628	27,072	1,150,481	22,870	968,683
Issue of new shares	(a)	7,060,000	71	2,371	58	1,976
As at 30 June 2022		2,714,250,628	27,143	1,152,852	22,928	970,659

Note:

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

17. COMMITMENT

As at 30 June 2022, the Group had a capital commitment of RMB2,000,000 (31 December 2021: RMB5,000,000), which is contracted, but not provided for purchase of a financial asset at fair value through profit or loss.

Notes to Interim Condensed Consolidated Financial Information

18. 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	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
A related company*			
Rental income	(i)	356	356
Management fee income	(ii)	67	69

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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Short-term employee benefits	1,068	240
Pension scheme contributions	78	82
Total compensation paid to key management personnel	1,146	322

Notes to Interim Condensed Consolidated Financial Information

19. 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 and lease liabilities 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 2022 and 31 December 2021:

	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 2022: 6.13 to 6.39 (31 December 2021: 6.13 to 6.39)	Increase/decrease in EV/Revenue would result in increase/decrease in fair value
		Price-to-earnings multiple ("P/E")	30 June 2022: 18.28 (31 December 2021: 18.28)	Increase/decrease in P/E would result in increase/decrease in fair value
		Discounts for lack of marketability ("DLOM")	30 June 2022: 14.3% to 19.2% (31 December 2021: 14.3% to 19.2%)	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 2022: 0.80 to 13.98 (31 December 2021: 0.80 to 13.98)	Increase/decrease in EV/Revenue would result in increase/decrease in fair value
		DLOM	30 June 2022: 13.8% to 27.2% (31 December 2021: 13.8% to 27.2%)	Increase/decrease in DLOM would result in decrease/increase in fair value

Notes to Interim Condensed Consolidated Financial Information

19. 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 2022 (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	–	91,800	110,316	202,116
Financial assets at fair value through other comprehensive income	–	–	155,756	155,756
	–	91,800	266,072	357,872

As at 31 December 2021 (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	–	–	102,158	102,158
Financial assets at fair value through other comprehensive income	–	–	150,571	150,571
	–	–	252,729	252,729

Notes to Interim Condensed Consolidated Financial Information

19. 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
As at 1 January 2021	175,136	234,641
Total losses recognised in the consolidated statement of profit or loss included in other expenses, net	(34,072)	–
Total losses recognised in the consolidated statement of comprehensive income	–	(84,070)
Disposals	(38,906)	–
As at 31 December 2021 (Audited) and 1 January 2022	102,158	150,571
Total gains recognised in the interim condensed consolidated statement of profit or loss included in other income and gains, net	5,458	–
Total gains recognised in interim condensed consolidated statement of comprehensive income	–	5,185
Purchases	2,700	–
As at 30 June 2022 (Unaudited)	110,316	155,756

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 2022 (Year ended 31 December 2021: Nil).

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value at 30 June 2022 and 31 December 2021.

Notes to Interim Condensed Consolidated Financial Information

20. SHARE OPTION SCHEME

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

	Weighted average exercise price per share HK\$	Number of options '000
At 1 January 2021	0.32	130,605
Exercised during the period	0.219	(3,856)
Lapsed during the period	0.65	(10,962)
Forfeited during the period	0.219	(1,989)
At 30 June 2021	0.29	113,798
At 1 January 2022	0.29	113,772
Exercised during the period	0.219	(7,060)
Lapsed during the period	0.65	(4,808)
Forfeited during the period	0.219	(1)
At 30 June 2022	0.28	101,903

At the end of the reporting period, the Company had approximately 101,904,000 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 101,904,000 additional ordinary shares of the Company and additional share capital of approximately HK\$1,019,000 and share premium of approximately HK\$27,514,000 (before issue expenses).

During the six months ended 30 June 2022, the Group did not recognise any share option expense. During the six months ended 30 June 2021, the Group recognised a share option expense of RMB196,000.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved by the Board on 23 August 2022.

Management Discussion and Analysis

1. BUSINESS REVIEW AND OUTLOOK

Business Review for the First Half of 2022

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

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

Game Business

During the reporting period, the Group’s revenue from the online game business was mainly derived from the original games “Colossus Knights” (「巨像騎士團」) and “Card Monster” (「卡片怪獸」) developed and operated by our subsidiary, Shanghai Mu77 Network Technology Co., Ltd. (上海木七七網絡科技有限公司, “MU77SH”) and Mu77 Network Technology Hongkong Limited (香港木七七網絡科技有限公司, “MU77HK”) (collectively “Mu77”), and “Adventure and the Abyss” (「冒險與深淵」) for agent. Subject to the influence of the national policies on the protection of minors and factors such as fierce competition in the game industry. The development of game business of the group was severely hampered. The management has been substantially diminished the game business and made efforts to control costs.

Film & Television Business

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

Online Literatures

北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd) (“Beijing Zhangwen”) focuses on the incubation, production and global distribution of high-quality entertainment content IP. Beijing Zhangwen currently mainly operates four business segments — research and development (“R&D”) of online literary, audiobooks and audio content, animation and comic and video contents. For the six months ended 30 June 2022, the overall operations of Beijing Zhangwen solid. Affected by the local pandemic, some partners delayed payment. It is expected to complete the payment in the third quarter successively.

Management Discussion and Analysis

In the audiobook and audio content business, Beijing Zhangwen's anchor Multi-Channel Network (“MCN”) agencies added over 80,000 hours of audiobooks and audio content compared to the previous year, with a number of audiobooks making it to the top 10 bestsellers on platforms such as Himalayan FM (「喜馬拉雅 FM」), Irts.me (「懶人聽書」) and Dragonfly FM (「蜻蜓FM」). The anchor MCN agencies are in the top 3 of the anchor charts of Himalayan FM, and its audio advertising and anchor merchandising business continued to grow. The anchor MCN agencies created a base for the production of high-quality audio content last year, and reached intensive strategic collaboration with Himalayan.

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

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

For online literature business, the users of Beijing Zhangwen's own platform grew significantly during the reporting period. As of 30 June 2022, the cumulative number of registered users of platforms owned by Beijing Zhangwen's has maintained an average annual compound growth rate of 42% for five consecutive years. In addition to reading online literature on its own platform, Beijing Zhangwen's provides reading services to third-party reading platforms through a licensing model. First half year of 2022, a number of original literatures and adaptations of derivative literatures of Beijing Zhangwen's agencies are ranked the top of the bestseller list on Ali Literature (「阿里文學」), Palm Reader Literature (「掌閱文學」), Himalaya (「喜馬拉雅」), Tomato Novels (「番茄小說」), Qimao Novels (「七貓小說」), Baidu Wenxue (「百度文學」) and MiGu Culture (「咪咕文化」), iQIYI (「愛奇藝」), Tencent Video (「騰訊視頻」) and other platforms for a long time, and many best-selling novels on Beijing Zhangwen's platform ranked top in the new media platforms, laying a quality content producer of online literature.

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

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

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

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

Business Outlook for The Second Half of 2022

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

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

Management Discussion and Analysis

2. FINANCIAL REVIEW

Revenue

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

Cultural Business

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

Property investment business

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

Cost of services provided

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

Cultural business

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

Property investment business

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

Gross profit

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

Management Discussion and Analysis

Other income and gains, net

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

Selling and marketing expenses

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

Administrative expenses

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

Other expenses, net

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

Share of profits and losses of associates, net

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

Management Discussion and Analysis

Income tax expense

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

Profit attributable to equity holders of the Company

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

Liquidity and Financial Resources

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

As at 30 June 2022 and at 31 December 2021, the Group has no interest-bearing bank borrowings.

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

As at 30 June 2022 and at 31 December 2021, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Financial assets at fair value through profit or loss ("FVPL")

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

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

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

Management Discussion and Analysis

Notes:

- (1) Including investments in Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprise (Limited Partnership) (“**Qingsong Fund II**”), Shenzhen Qingsong Phase III Equity Investment Fund Partnership Enterprise (Limited Partnership) (“**Qingsong Fund III**”), Shenzhen Qianhai Tianhe Cultural Industry Investment Center (Limited Partnership) (深圳前海天和文化產業投資中心(有限合夥)), and Shenzhen Qingsong Small and Medium Enterprises Development Investment Partnership Enterprise (Limited Partnership) (“**Qingsong Fund IV**”). For the investments in Qingsong Fund II, Qingsong Fund III and Qingsong IV, please refer to the announcements of the Group dated 24 January 2014, 15 May 2017 and 21 January 2020, respectively.

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

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

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

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

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

Notes:

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

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

Contingent Liabilities

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

Management Discussion and Analysis

Human resources

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

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

3 MATERIAL INVESTMENTS

As at 30 June 2022, the details of significant investments of the Group were set out as follows:

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

Save as disclosed above, as of 30 June 2022, the Company did not have any material investments. However, the Group will continue to consolidate the current businesses, while seeking new opportunities to complement and strengthen our existing business operations.

Management Discussion and Analysis

4. USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

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

As of the date of this 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 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 RMB235.9 million.

Factors such as the game license approval, the strengthen of regulations in relation to the protection of minor and the fierce competition among game industry of recent years have brought negative effects to the development of the game industry and it is not an appropriate timing to invest in the game industry. Whereas favorable policies have recently emerged in the technology, internet and big consumption sectors in China and bring attractive investment opportunities. In addition, management of the Company have kept on eyes on the research and have obtained related investment experience in the technology, internet and big consumption sectors. After careful consideration, the Board has resolved on 23 August 2022 to change the use of the proceeds for investment in the technology, internet and big consumption sectors to keep consistence with the direction of national policies, which will be beneficial to the Group to seize investment opportunities in the market. It is also conducive to expand the Group’s investment base and sources of profit.

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

Proposed Usage	Original allocation of the Proceeds (RMB million)	Utilised Net Proceeds as at the date of this report (RMB million)	Unutilised Net Proceeds as at the date of this report (RMB million)	Re-allocation of the Proceeds (RMB million)
Acquisition of upstream and downstream mobile online game	337.2	101.3	235.9	–
Investment in technology, internet and big consumption industry, etc.	–	–	–	200.5
General Working capital	–	–	–	35.4

Management Discussion and Analysis

The Board is of the view that the reallocation of the net proceeds is in line with the business strategy of the Group and is more favourable to the Group's long term business development, which is in the best interest of the Company and the Shareholders as a whole. The aforementioned change in use of proceeds will not have any material adverse effect to the existing business and operations of the Group. The Directors will continuously review the plan of the use of the unutilised net proceeds and may amend such plan where necessary so as to cope with the changing market conditions and strive for better business performance of the Group.

5. MAJOR RISKS AND UNCERTAINTIES

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

Business Risks

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

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

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

Policy Risks

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

Economic and political environments

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

Pandemic Impacts

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

Management Discussion and Analysis

Foreign Exchange Risks

On 30 June 2022, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HK\$2.57 million and US\$68.27million. The Group's main business is located in Mainland China, and most of its revenues and expenditures are settled in RMB. Therefore, the Group may face the risk of foreign currency exchange.

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

As at the date of this report, the Group held an aggregate of 29.52% share in Lanlanlanlan Film & television, an associate of the Company. As Lanlanlanlan Film & television and its subsidiaries did not meet the respective target profit for the financial years ended 31 December 2017, 2018 and 2019, pursuant to the relevant transaction documents, the Group shall be compensated by the founders of Lanlanlanlan Film & television by cash or equity. Also, the disposal of an aggregate of 23.56% equity interests in Lanlanlanlan Film & Television by the Group, has yet to be completed. As at the date of this 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. The founders of Lanlanlanlan Film & Television have failed to fulfill such undertaking and the Group has filed an arbitration application with the Shenzhen Court of International Arbitration (the "SCIA") on 15 March 2022, requesting for the payment of the equity repurchase amount of RMB141,380,434.37 and penalty interest of RMB59,043,116 by the founders of Lanlanlanlan Film & Television to the Group, totaling RMB200,423,550.37, the case is currently being processed.

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

Disclosure of Interests

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

As at 30 June 2022, 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 ¹
		Ordinary shares	Underlying Shares (under equity derivatives of the Company)	
Mr. Liu Xiaosong ("Mr. Liu")	Founder of trust ²	1,777,235,398	Nil	65.48%
	Beneficial Owner	5,766,000	63,945,000 ³	2.57%
Mr. Chan Yiu Kwong	Beneficial Owner	Nil	1,100,000 ³	0.04%
Ms. Wu Shihong	Beneficial Owner	Nil	900,000 ³	0.03%
Mr. Li Feng	Beneficial Owner	Nil	1,050,000 ³	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 2022 (i.e. 2,714,250,628 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 2022, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,264,559,095 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".

Long positions in associated corporations of the Company

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

Notes:

- Beijing Duomi is a limited liability company incorporated in the PRC. As at 30 June 2022, the Company was interested in 22.51% of the registered capital of Beijing Duomi through its wholly-owned subsidiary, Kwaitonglian, 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.
- This represents the number of shares of Beijing Duomi held by Mr. Liu.

Disclosure of Interests

Save as disclosed, as at 30 June 2022, 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.

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 29 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. Available for issue a maximum of 270,791,262 Shares, being 9.96% of the total number of Shares in issue as at the date of this report, may be issued upon exercise of all options to be granted under the Share Option Scheme of the Group. The 2018 Share Option Scheme 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 2022, the remaining life of the 2018 Share Option Scheme is around 5 years and 11 months.

The exercise price of share options is determinable by the Board or such committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an Option.

The maximum number of shares issuable under share options to each eligible participant in the Schemes within any 12-month period is limited to 1% of the issued Shares of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the Offer Date but shall end in any event not later than ten years from the date of grant of the Option subject to the provisions for early termination thereof.

During the six months ended 30 June 2022, no option was granted under the Share Option Schemes, 7,060,000 share options were exercised, 4,807,600 share options were lapsed due to the end of the exercise period and 960 share options were forfeited following the resignation of the employees of an associate of the Group. As at 30 June 2022, there were 101,903,336 outstanding share options granted under the Share Option Scheme, representing approximately 3.75% of the issued share capital of the Company as at 30 June 2022 and approximately 3.74% of the issued share capital of the Company as at the date of this report.

Disclosure of Interests

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 2021	Exercised during the period ¹	Granted during the period	Expired during the period	Forfeited during the period	At 30 June 2022	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
Directors of the Group											
Liu Xiaosong	68,752,600	-	-	4,807,600	-	63,945,000					
	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
	14,795,000	-	-	-	-	14,795,000	30 September 2021	The share options granted was fully vested at one time on 30 September 2021	30 September 2031	0.255	0.255
Chan Yiu Kwong	1,000,000	-	-	-	-	1,100,000					
	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	900,000	-	-	-	-	900,000					
	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
Subtotal	71,802,600	-	-	4,807,000	-	66,995,000					
Employees of an associate of the Group²											
	41,969,296	7,060,000	-	-	960	34,908,336	28 June 2019	50%, 30% and 20% of the share options granted will be vested at 30 June 2019, 30 June 2020 and 30 June 2021, respectively	28 June 2029	0.219	0.219
Subtotal	41,969,296	7,060,000	-	-	960	34,908,336					
TOTAL	113,771,896	7,060,000	-	4,807,600	960	101,903,336					

Note:

- The weighted average closing price immediately before the date on which the options were exercised was HKD0.354 per share.
- The associate indicates Beijing Zhangwen Information Technology Limited, for which the Company granted 59,664,000 share options to 32 employees of Beijing Zhangwen on 28 May 2019. Please refer to the announcement of the grant of share options by the Group on 28 May 2019 and the supplemental announcement issued on 30 August 2022 in relation to the 2021 Annual Report for details.

Disclosure of Interests

Please refer to note 20 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 2022, 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 ¹
HSBC International	Trustee (other than a bare trustee) ²	1,777,235,398	65.48%
River Road	Interest in controlled corporation ²	1,777,235,398	65.48%
Knight Bridge	Interest in controlled corporation ²	1,689,355,398	62.24%
Ever Novel	Interest in controlled corporation ³	424,796,303	15.65%
Prime Century	Beneficial Owner ³	1,264,559,095	46.59%
	Beneficial Owner ³	424,796,303	15.65%

Notes:

- The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 June 2022 (i.e. 2,714,250,628 Shares).
- 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 2022, 1,777,235,398 Shares in total).
- As at 30 June 2022, Prime Century directly held 424,796,303 shares and Ever Novel directly held 1,264,559,095 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 2022, 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

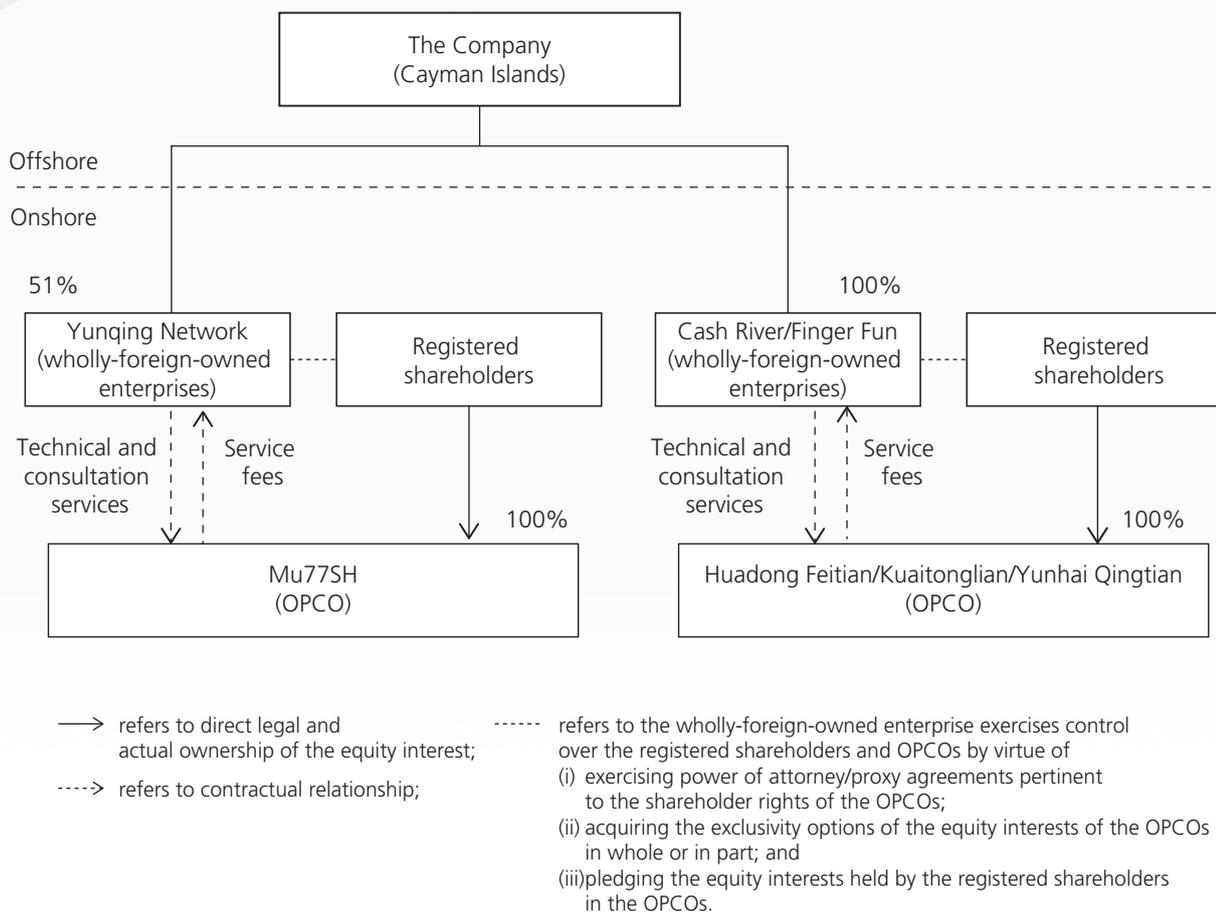
CONTRACTUAL ARRANGEMENTS

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 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 2022:



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 Mr. 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.

Information on the Contractual Arrangements

- (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.
- (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 2022 has not been released yet, The Negative List 2021 approved by the State Council and released by the relevant authorities on 27 November 2021 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).

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.

Information on the Contractual Arrangements

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.

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.

Information on the Contractual Arrangements

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 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2022, all the code provisions set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision C.2.1 providing for the roles of chairman and chief executive officer (the "**CEO**") to be performed by different individuals.

Mr. Liu has diversified experience in the technology, 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 C.2.1 during this reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 2022. Based on the review and discussions with the management, the Audit Committee was of the opinion that such statements complied with the applicable accounting standards and requirements and fairly presented the Group's financial position and results for the six months ended 30 June 2022.

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

Hong Kong, 23 August 2022