A8 New Media Group Limited
A8新媒體集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Gross revenue of the Group for 2019 amounted to approximately RMB108.4 million, representing a decrease of approximately 28.6% as compared with 2018 (2018: approximately RMB151.8 million).
- Loss for 2019 of the Group amounted to approximately RMB58.6 million, representing a decrease of approximately 35.3% as compared with 2018 (2018: approximately RMB90.5 million).
- The gross profit margin ratio of the Group was approximately 53.4% for 2019, which increased 8.7 percentage point as compared to that of 2018, while it was approximately 44.7% for 2018.
- Strong balance sheet with cash and cash equivalents and highly liquid short-term assets of approximately RMB571.9 million as at 31 December 2019.

The board of directors (the "**Board**") of A8 New Media Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW AND OUTLOOK

The pan-entertainment market consisting of online literature, online games, film and television, short videos, music, etc., along with the vertical development of IP's long chain, continuously integrates and develops between various sub-sectors, and provides content support to each other, driving sustained and high-speed development of the domestic pan-entertainment industry. According to the latest data from the "Half-year Report of the Pay Market 2019" released by Quest Mobile, the scale of China's pan-entertainment users has exceeded 1 billion, and the scale of the pay market has reached 100 billion. At the time when the domestic pan-entertainment market continues to show rapid development, in order to regulate the development of the industry, China has further increased the supervision of the content of the pan-entertainment industry. Facing changes in the market environment and regulatory policies, during the reporting period, the Group continued to optimize the top-level design. While actively adjusting the operating strategies of various business segments, it also strictly controlled risks, adjusted internal resource allocation, and suspended the projects which are inconsistent with the Group's long-term plan.

Digital Entertainment Services

The Group provides digital entertainment services including online games, film and television, and online literature. During the reporting period, the Group's gross revenue (revenue before excluding certain taxes and surcharges) ("**gross revenue**") derived from the provision of digital entertainment services was RMB31.6 million, a decrease of approximately 59.1% as compared to 2018.

Game Business

In 2018, the National Radio and Television Administration suspended the approval of game license. The negative impact on the entire game industry continued during the reporting period. Since the approval of the game license restarted in early 2019, the approval has become stricter. The number of new online games has decreased significantly compared with previous years, and industry-related policies continue to give high priority to high-quality original games from leading companies. In this context, we rely on our past accumulation in the sub-sectors, focus our energy and resources on the furnishing of boutique games, while controlling costs and streamlining the number of projects to cope with the increasing competition in the gaming industry.

Affected by factors such as the market and the overall industry environment, the Group made structural adjustments and optimizations to its online game business line during the reporting period, reduced the scale of game distribution, and focused on game research and development. During the reporting period, the Group's gross revenue from the online game business was mainly derived from a card game "Card Monster" operated by Mu77 (the Group's subsidiary jointly invested with Tencent). At the same time, during the reporting period, Mu77 had been developing the original game "Colossus Knights" (「巨像騎士團」) and, which is currently in the normal development cycle and is expected to be launched in 2020.

Film & Television Business

During the reporting period, the lightly funny idol costume drama "Matchmakers of Great Zhou Dynasty" (「大周小冰人」), produced by the Group, was launched on the iQIYI video platform in March 2019, and has attracted a lot of attention from the audience and the media. However, in the same month, the National Radio and Television Administration issued regulations restricting the broadcast of costume dramas, and thus the publicity of this web-drama was greatly affected, resulting in lower final ratings than the Group expected. In view of the overall environment of the film and television development industry and other factors, the Group slowed down the development of this business segment in the second half of 2019, but we are still optimistic about the Chinese film and television industry and will continue to actively expand and evaluate new film and television projects more cautiously in the future.

In addition, as of 31 December 2019, the Group held a total of 29.52% of the Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司) ("**Lanlanlanlan Film & Television**"). The company is mainly engaged in writing, sales and adaptation of scripts and online video content production.

Online literatures

北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd.) ("**Beijing Zhangwen**"), 35% equity interest of which is held by the Group, is mainly engaged in the business of online literature reading and incubation and operation of literature IP. Beijing Zhangwen mainly operates four literary platforms: Heiyan.com (黑岩網), Ruochu.com (若初網), Ruoxia.com (若夏網) and Lemon Read (檸檬免費小說網). As at 31 December 2019, the number of users registered on Beijing Zhangwen's self-owned platforms maintained a compound annual growth rate of over 60% for three years. During the reporting period, Beijing Zhangwen contributed approximately at RMB13.0 million to profit of the Group, representing an increase of 49% as compared to 2018. The growth is mainly derived from the development of audio works, comics, and film and television investments business of Beijing Zhangwen.

The hours of audio works at Beijing Zhangwen increased by more than 25,000 hours as compared with last year, among which, various audio works entered top ranking lists of platforms like Himalayan FM (喜馬拉雅 FM), lrts.me (懶人聽書), Dragonfly FM (蜻蜓FM), and Penguin Audio Books (企鵝聽書). Beijing Zhangwen's numerous self-copyrighted comics also entered top ranking lists of Tencent Comic, kuaikanmanhua.com, xiaomingtaiji.com, and buka.cn.

During the reporting period, the online movie “MEGA Crocodile” (巨鱷), adapted from “MEGA Crocodile”, the science fiction of the same name of Heiyan.com, was launched by Beijing Zhangwen on Youku (優酷). Prior to the air of MEGA Crocodile, there were 175,000 pre-subscriptions, a new record for online films played on Youku. “MEGA Crocodile” ranked No. 1 of Youku’s Online Film Popular Playing List and New Movie List since its broadcast and became one of the most popular online movies of the year. As of 31 December 2019, “MEGA Crocodile” ranked 3rd among Youku online films for the year in terms of accumulated sharing income, representing a milestone for Beijing Zhangwen to pursue the business model of “synchronous film & television, comics and audio books based on one IP of the same online novel”. Beijing Zhangwen will continue to strengthen the development of various IP forms of online novels and the exploration of business patterns.

Property Investment Business

During the reporting period, in terms of property investment business, the Group’s gross revenue was derived from the rent and property services income of the National Music Industry Park — A8 Music Building. A8 Music Building is located in the core area of Shenzhen Bay Area. It has a superior location with a total gross floor area of 52,500 square meters. It integrates music performance, office and business services. In 2019, this segment business contributed approximately RMB76.9 million in consolidated gross revenue to the Group, representing an increase of approximately 3.0% as compared to 2018.

In 2019, the decline in national macroeconomic growth has affected the leasing decisions of enterprises to a certain extent. New supply in first-tier cities has further increased office vacancy rates and increased industry competitiveness. Facing the challenges, the Group adheres to the business philosophy of “Focusing on customers and demand innovation”, and continuously improved the quality of property services during the reporting period. With professional and meticulous property management services, the Group won the award of Guangdong Province “Property Management Demonstration Project” in 2019.

Relying on the A8 Music Building, the Group’s A8Live is an offline performance brand that integrates functions such as music performance theater, professional recording studio and music maker café. A8Live is committed to creating a healthy business and social environment for the A8 Music Building and surrounding communities, and providing high-quality music and entertainment services. During the reporting period, the A8Live Music Performance Theater held 72 performances, the recording studio performed 305 recordings, and held 50 public welfare music performances in the outdoor plaza of the A8 Music Building. Among them, at the end of 2019, A8Live held a public welfare concert with the theme of “Supporting Shenzhen Original Bands” in cooperation with Yuehai Street office in Nanshan District and other enterprises in Shenzhen High-tech Industrial Park. A8Live not only provides first-class hardware facilities and professional supporting services for domestic and foreign musicians, but also creates a platform for music lovers in the surrounding communities and the Greater Bay Area to enjoy high-quality music. We will also continue to deepen branding and content and further explore the possibility of diversifying A8Live’s operations.

Business Outlook for 2020

Looking foward to 2020, the outbreak of new coronavirus pneumonia (the "Outbreak") in early 2020 will pose a challenge to the global business environment. After the Outbreak, a series of prevention and control measures have been implemented and continued throughout China. Despite limited impacts on the online pan-entertainment market, the impact of the Outbreak on commercial real estate and cultural and entertainment markets is expected to last for a long time, and the extent of the impact depends on the duration of the epidemic, the strength of regulatory policies and the implementation of related protective measures. As at 31 December 2019, the operating and financial performance of the Group has not been adversely affected for the time being. The Group will remain alert to the development and status of the epidemic, continue to assess its impact on the Group's financial position and operating results, and take necessary actions to reduce the business risks. The Group will continue to pursue its major operation in the pan-entertainment market, including online literature, online gaming, film and TV shows, short videos, and music so that we can develop our IP value chain on the horizontal level to support various segments for mutual support and constant integration. In the meantime, the Group will strictly exercise cost control in various areas, including optimization of the talent structure, improvement of the procurement system and procedures, and enhancement of project management. Although the external environment is under some pressure, it also has tremendous opportunities and room for development. The improvement in the industrial policies of pan-entertainment industry will facilitate the healthy development of the pan-entertainment industry. The PRC government continues to strengthen the protection of intellectual property rights, while the awareness of subscription among users continue to grow stronger, the percentage of content subscription fees will continue to increase, driving the continuous development of the pan-entertainment industry in the PRC in the future. Leveraging the policy advantages and the huge potential of the pan-entertainment market, coupled with the rich resources and mature operating capabilities of the management team, we are confident that the Group's operating performance and competitive strength will be further increased.

MANAGEMENT DISCUSSION AND ANALYSIS

1 FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the gross revenue of the Group amounted to approximately RMB108.4 million, representing a decrease of approximately 28.6% as compared with 2018 (2018: approximately RMB151.8 million).

Digital entertainment services

For the year ended 31 December 2019, the gross revenue of digital entertainment services amounted to approximately RMB31.6 million, representing a decrease of approximately 59.1% as compared with 2018 (2018: approximately RMB77.2 million). The decrease was mainly resulted from the decrease of approximately RMB54.1 million in gross revenue from game related services as compared with 2018, which was offset by the increase of approximately RMB9.2 million in film and television production gross revenue.

Property investment business

For the year ended 31 December 2019, the gross revenue of property investment business derived from the rentals and management fee amounted to approximately RMB76.9 million, representing an increase of approximately 3.0% as compared with 2018 (2018: approximately RMB74.6 million).

Cost of services provided

For the year ended 31 December 2019, cost of services provided by the Group amounted to approximately RMB50.5 million, representing a decrease of approximately 37.3% as compared with 2018 (2018: approximately RMB80.5 million). The decrease was mainly due to the decrease of approximately RMB43.1 million in related cost as compared with 2018 accompanied with the decrease in game related gross revenue, which was offset by an increase of approximately RMB16.8 million in the production cost of the network drama "Matchmaker of Great Zhou Dynasty".

Digital entertainment services

For the year ended 31 December 2019, the cost of services provided of digital entertainment services amounted to approximately RMB33.0 million, representing a decrease of approximately 44.6% as compared with 2018 (2018: approximately RMB59.6 million). It mainly comprises gross revenue shared with mobile operators, distribution channels, business alliances, production cost of network films and dramas and other costs such as game copyrights and direct labor costs.

Property investment business

For the year ended 31 December 2019, the cost of services provided of property investment business amounted to approximately RMB17.5 million, representing a decrease of approximately 16.5% as compared with 2018 (2018: approximately RMB20.9 million). It mainly comprises employees' compensation, utility charges and other maintenance costs in relation to the investment properties.

Gross profit

For the year ended 31 December 2019, the gross profit of the Group amounted to approximately RMB58.0 million, representing a decrease of approximately 14.6% as compared with 2018 (2018: approximately RMB67.9 million). The overall gross margin of the Group (which is calculated based on gross profit divided by gross revenue) was 53.4% for 2019, as compared with 44.7% for 2018. The increase of gross margin was resulted from the increased gross profit of property investment business for the year.

Other income and gains, net

For the year ended 31 December 2019, the other income and gains of the Group were approximately RMB17.7 million, representing a decrease of approximately 82.6% as compared with a net gain of approximately RMB101.8 million for the year ended 31 December 2018.

The decrease was mainly due to the recognition of gain on fair value change of financial assets at fair value through profit or loss mainly in relation to fund investments and investment properties amounted to approximately RMB61.7 million and RMB18.0 million, respectively, for the year ended 31 December 2018 while loss on fair value change of financial assets at fair value through profit or loss mainly in relation to the Group's investment in Lanlanlanlan Film & Television and fund investments and investment properties amounted to approximately RMB36.3 million and RMB7.0 million were recognized under other expenses, net for the year ended 31 December 2019.

Selling and marketing expenses

For the year ended 31 December 2019, the selling and marketing expenses of the Group amounted to approximately RMB6.3 million, representing a significant decrease of approximately 85.6% as compared with 2018 and approximately 19.9% of the digital entertainment services gross revenue (2018: approximately RMB43.6 million, representing approximately 56.5% of digital entertainment services gross revenue). The decrease in selling and marketing expenses was mainly due to the decrease of the game promotion expenses and labor expenses amounting to approximately RMB29.0 million and RMB7.3 million, respectively as a result of the reduction of game related publishing business.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses of the Group amounted to approximately RMB54.1 million, representing a decrease of approximately 3.7% as compared with 2018 (2018: approximately RMB56.2 million). The decrease was mainly resulted from cost control of the Group.

Other expenses, net

For the year ended 31 December 2019, the other expenses, net of the Group amounted to approximately RMB80.6 million, representing a decrease of approximately 29.8% as compared with 2018 (2018: approximately RMB114.8 million). This change was mainly attributable to the fact that the Group did not recognize the impairment in associates during the year, whilst impairment of approximately RMB76.1 million was recognized for several associates in last year. This change was partially offset by a decrease of approximately RMB34.7 million and RMB7 million in the fair values of financial assets at fair value through profit or loss in relation to the Group's investment in Lanlanlanlan Film & Television and investment properties.

During the year, the Group's other expenses, net mainly comprised a decrease of approximately RMB34.7 million in the fair value of financial assets at fair value through profit or loss with respect to the investment in Lanlanlanlan Film & Television, impairment of approximately RMB34.5 million recognized on goodwill arising from acquisition of Mu77, and a decrease of approximately RMB7 million in the fair value of investment properties.

Affected by national policies on the film and television industry, under which total online TV distribution is subject to government control, while approval requirements become increasingly stringent with a longer review period, Lanlanlanlan Film & Television's results remained to be loss-making during 2019. The management of the Company recognized a decrease of approximately RMB34.7 million in the fair value of a financial asset at fair value through profit or loss with respect to investment in Lanlanlanlan Film & Television based on a valuation conducted by an independent valuer after taking into consideration that the on-going impact of relevant policies on the performance of Lanlanlanlan Film & Television as well as considering the repayment capability of the founders.

Given that the increasingly stringent approval of game distribution permits results in a delay or restriction on the launch of games, Mu77 continued to record losses. Considering that the industrial landscape and relevant policies will continue to affect the performance of Mu77 and with reference to the assessment results of the independent valuer, the Group continued to provide impairment allowances of approximately RMB34.5 million for goodwill arising from acquisition of Mu77 for the year (2018: approximately RMB35 million).

Share of profits and losses of associates, net

For the year ended 31 December 2019, the Group's share of profits of associates amounted to approximately RMB6.2 million, compared to share of losses of associates of approximately RMB12.7 million in 2018. The change was mainly due to the increase of share of profit of Beijing Zhangwen amounting to approximately RMB4.3 million and the decrease of share of loss of Lanlanlanlan Film & Television amounting to approximately RMB14.3 million for the year.

Income tax credit/(expense)

For the year ended 31 December 2019, income tax credit of the Group amounted to approximately RMB7.1 million, while the income tax expense for 2018 was approximately RMB24.8 million. This change was mainly due to the deferred tax credit of approximately RMB10.8 million arising from the decreased fair value of financial asset at fair value through profit or loss and investment property for the year ended 31 December 2019, as compared with the deferred tax expenses of approximately RMB22.9 million arising from the increased fair value of financial asset at fair value through profit or loss and investment property for last year.

Loss attributable to equity holders of the Company

For the year ended 31 December 2019, loss attributable to equity holders of the Company amounted to approximately RMB51.1 million, representing a decrease of 40.0% as compared to loss in 2018 (2018: approximately RMB85.2 million). This change was mainly due to the fact that (i) labor expenses and promotion expenses decreased as a result of the shrinking game publishing business during the year; (ii) the Group did not recognize the impairment in associates during the year, whilst impairment of approximately RMB76.1 million was recognized for several associates in last year; and (iii) income tax credits were recorded as a result of a decrease in the fair values of financial assets at fair value through profit or loss with respect to the Group's investment in funds and Lanlanlanlan Film & Television during the year, while income tax expenses was recorded as a result of an increase in the fair value of the same financial assets for the same period last year.

Liquidity and Financial Resources

As at 31 December 2019, 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 RMB571.9 million (2018: approximately RMB601.8 million). Among which, approximately RMB228.6 million, or approximately 40.0% was denominated in RMB.

As at 31 December 2019, the Group has interest-bearing bank borrowings of approximately RMB130.0 million (2018: RMB195.1 million) in aggregate, and the gearing ratio which is measured by the net borrowings over the total assets is approximately 7.2% (2018: 10.5%).

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

As at 31 December 2019, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Financial assets at fair value through profit or loss

As at 31 December 2019, the Group's financial assets at fair value through profit or loss amounted to approximately RMB144.4 million (2018: approximately RMB179.8 million), which was comprised of investments in funds and the derivative financial assets with respect to investments in Lanlanlanlan Film & Television included in non-current assets and wealth management products and listed investments included in current assets. As at 31 December 2019, the fair value of investments in funds and derivative financial assets are determined by the independent professional valuer appointed by the Group using the market comparable approach and income approach, respectively. Wealth management products are provided by the large state-owned or famous financial institutions in China, all of which allows any divestment within the investment periods. These investments are measured at fair value determined with reference to the estimated yield rate of relevant investments. The fair values of listed investments is determined at market fair value.

Set out below are details of financial assets at fair value through profit or loss as at 31 December 2019:

Investment category	Carrying amount as at 31 December 2019 *(RMB'000)*	Carrying amount as at 31 December 2018 *(RMB'000)*	Percentage increase/ (decrease)
Fund investments[1]	124,731	126,278	–1.2%
Wealth management products	16,500	15,500	6.5%
Derivative financial asset[2]	2,971	37,686	–92.1%
Listed equity investment	239	296	–19.2%
Total	144,441	179,760	–19.6%

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**"), and Shenzhen Qianhai Tianhe Cultural Industry Investment Center (Limited Partnership) (深圳前海天和文化業投資中心(有限合夥)). For the investments in Qingsong Fund II and Qingsong Fund III, please refer to the announcements of the Group dated 24 January 2014 and 12 May 2017, respectively.

(2) Derivative financial asset is related to the investment in Lanlanlanlan Film & Television, details of which are set out in the announcement of the Group dated 26 March 2019. The Group also engaged an independent professional valuer to measure the fair value of such asset. For the decrease in the fair value of the asset, please refer to the relevant description in "**Other expenses, net**" above.

Financial assets at fair value through other comprehensive income

As at 31 December 2019, the Group's financial assets at fair value through other comprehensive income amounted to approximately RMB233.4 million (2018: approximately RMB100.4 million). The increase was mainly attributable to the significant increase in the performance of a game development company in 2019, which resulted in the increase in fair value of the game development company. These financial assets at fair value through other comprehensive income was comprised of listed and unlisted equity investments, the fair values of which were determined by an independent professional valuer engaged by the Group using market comparable approach.

Set out below are details of financial equity assets at fair value through other comprehensive income as at 31 December 2019:

Investment category	**Carrying amount as at 31 December 2019** *(RMB'000)*	**Carrying amount as at 31 December 2018** *(RMB'000)*	**Percentage increase**
Game development companies[1]	225,189	93,263	141.5%
Information technology services company[2]	8,225	7,119	15.5%
Total	233,414	100,382	132.5%

Notes:

(1) Game development companies include 3 companies, namely Xiamen Mengjia Network Technology Co., Ltd. ("**Xiamen Mengjia**"), Shanghai Hanqu Network Technology Co., Ltd. (上海瀚趣網絡科技有限公司) and Shanghai Modie Network Technology Co., Ltd. (上海魔蝶網絡科技有限公司). 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. The Group engages an independent professional valuer to determine its fair value using market comparable approach.

(2) Information technology services company refers to Shenzhen Lemon Network Technology Co., Ltd ("**Lemon Network**"), a company listed on NEEQ (stock code: 835924). Given that the shares of the NEEQ listed companies are all transferred by agreement, the trading of the shares is not active and the trading volume of the shares is thin, the Group engages an independent professional valuer to determine its fair value using market comparable approach.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

2 USE OF PROCEEDS

On 19 December 2016, the Company entered into a subscription agreement with Ever Novel Holdings Limited ("**Ever Novel Holdings**") pursuant to which the Company allotted and issued 931,800,000 new shares of the Company at a subscription price of HK$0.41 per Share ("**Subscription**") to Ever Novel Holdings. 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 disclosed in the circular of the Company dated 25 January 2017, the net proceeds from the Subscription were intended to be used for the Group's investment in the industry chain of mobile online game when appropriate opportunity arise.

As of 31 December 2019, approximately RMB101.3 million of the proceeds from the Subscription were utilized. Among which, approximately RMB59.6 million 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. MU77SH and MU77HK are engaged in mobile online game research and development and operation in the PRC and overseas, respectively. The use of the proceeds of the Subscription is the same as the intended usage previously disclosed by the Company.

On the date of this announcement, the remaining amount of the proceeds from the Subscription was approximately RMB236.0 million. The company has no plans to change the intended usage of the proceeds from the Subscription for the time being. The remaining unutilized proceeds from the Subscription will be used as intended. Currently, the Company placed such unutilized proceeds as short-term interest-bearing deposits in licensed bank in Hong Kong.

3 MATERIAL PURCHASES AND DISPOSAL AND MATERIAL INVESTMENTS

Reference is made to the Company's circular dated 5 June 2019 and the announcement dated 25 March 2020, regarding the issue of a written notice by the Company to the founders of Lanlanlanlan Film & Television pursuant to the related investment agreement requesting the founders of Lanlanlanlan Film & Television to purchase 23.56% equity interests of Lanlanlanlan Film & Television held by the Group at an equity purchase price of RMB146,380,434 (equivalent to approximately HK$172,212,000) (the "Equity Purchase Price") ("Major Disposal"). As of the date of this announcement, the Major Disposal has not been completed, and Lanlanlanlan Film & Television has only paid RMB5 million to the Group as the first payment of the Equity Purchase Price. The founders of Lanlanlanlan Film & Television made a written undertaking to the Group, pursuant to which the founders have undertaken to perform their obligations to complete the Major Disposal by 24 March 2020.

As at the date of this announcement, the Group holds 29.52% equity interests in Lanlanlanlan Film & Television and it is accounted as an associate of the Group in the Group's financial statements. If the Major Disposal is completed, the Group will hold a 5.96% equity interests in Lanlanlanlan Film & Television.

Save as disclosed above, for the year ended 31 December 2019, the Company did not have any material purchase or disposal, and any material investments. However, the Group will continue to consolidate the current businesses, while seeking new opportunities to complement and strengthen our existing business operations.

4 HUMAN RESOURCES

As at 31 December 2019, the Group had 107 employees (2018: 164 employees). The average headcounts of 2019 was 124 while it was 168 in 2018. The Group determines the remuneration of its employees based on various factors such as responsibilities, qualifications and years of experience. Total employee costs for the year ended 31 December 2019, including directors' emoluments, amounted to approximately RMB35.4 million, representing a decrease of approximately 18.2% as compared with 2018 (2018: approximately RMB43.3 million). The decrease in employee costs was mainly resulted from the reduction of game publishing business.

5 MAJOR RISKS AND UNCERTAINTIES

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

Business Risk

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

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

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

Policy Risk

In order to carry out kinds of business, the Group must abide by various policies and regulations. Changes in policies and regulations will affect the development of the Group's business, such as the adjustment of the cultural authorities' policies on the application of new game licences, and the adjustment of the approval standards of the State Administration of Press, Publication, Radio, Film and Television on web drama, which may lead to significant changes in operating costs and positions of the Group's business.

Foreign Exchange Risk

On 31 December 2019, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HK$5.9 million and US$48.4 million. 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 EVENTS AFTER THE REPORTING PERIOD

Update on the fulfillment of performance guarantee by Lanlanlanlan Film & Television

As at the date of this announcement, the Group held an aggregate of 29.52% share in Lanlanlanlan Film & Television, an associate of the Company, which was acquired through capital increase, share acquisition and equity compensation. As Lanlanlanlan Film & Television and its subsidiaries did not meet the respective target profit for the financial years ended 31 December 2017, 2018 and 2019, pursuant to the relevant transaction documents, the Group shall be compensated by the founders of Lanlanlanlan Film & Television by cash or equity. Also, the disposal of an aggregate of 23.56% equity interests in Lanlanlanlan Film & Television by the Group, has yet to be completed. As at the date of this announcement, only RMB5,000,000 has been paid by the founders to the Group for such disposal.

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

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

Investment in Qingsong Fund IV

After the reporting period, 深圳市快通聯科技有限公司 (Shenzhen Kuaitonglian Technology Co., Ltd.) ("**Kuaitonglian**"), a wholly-owned subsidiary of the Company, entered into limited partnership with Shenzhen Qianhai Qingsong Venture Investment Fund Management Enterprise (Limited Partnership) and other independent investors on 21 January 2020, pursuant to which, Kuaitonglian acting in the capacity of limited partner invested RMB10,000,000 to subscribe for approximately 11.11% interest in Shenzhen Qingsong Small and Medium Enterprises Development Investment Partnership Enterprise (Limited Partnership) ("**Qingsong Fund IV**"). Qingsong Fund IV will engage in equity investments focusing on new industries such as new technology and application and new consumption models. In accordance with Chapter 14 of the Listing Rules, the transaction constitutes a disclosable transaction of the Company. Please refer to the announcement of the Company dated 21 January 2020 for details.

Entering into of new contractual arrangements

Due to the replacement of one of the registered shareholders of 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**"), being one of the Group's operating entities, from Mr. Liu Xiaosong ("**Mr. Liu**"), an executive Director and the controlling shareholder of the Company, to Mr. Liu Xiaofeng, the brother of Mr. Liu, the previous contractual arrangements in relation to Huadong Feitian entered into on 31 August 2015 were terminated and the relevant parties, namely Mr. Liu Xiaofeng, Ms. Cui Jingtao, Huadong Feitian and Cash River Information Technology (Shenzhen) Co. Ltd. (佳仕域信息科技(深圳)有限公司) entered into a series of new contractual arrangements in relation to Huadong Feitian on 13 March 2020. The new contractual arrangements as mentioned above were substantially on the same terms and conditions as the previous contractual arrangements and the financial results of Huadong Feitian would continue to be accounted for and consolidated into the accounts of the Group. For details of the new contractual arrangements in relation to Huadong Feitian, please refer to the announcement of the Company dated 13 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
REVENUE	*5*	**108,438**	148,400
Cost of services provided		**(50,479)**	(80,482)
Gross profit		**57,959**	67,918
Other income and gains, net	*5*	**17,741**	101,791
Selling and marketing expenses		**(6,291)**	(43,598)
Administrative expenses		**(54,131)**	(56,203)
Other expenses, net		**(80,630)**	(114,790)
Finance costs		**(6,579)**	(8,163)
Share of profits and losses of associates, net		**6,210**	(12,723)
LOSS BEFORE TAX	*6*	**(65,721)**	(65,768)
Income tax credit/(expense)	*7*	**7,138**	(24,780)
LOSS FOR THE YEAR		**(58,583)**	(90,548)
Attributable to:			
Owners of the Company		**(51,085)**	(85,159)
Non-controlling interests		**(7,498)**	(5,389)
		(58,583)	(90,548)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic (RMB per share)		**(1.90 cents)**	(3.16 cents)
Diluted (RMB per share)		**(1.90 cents)**	(3.16 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(58,583)**	(90,548)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**7,160**	15,836
Other comprehensive income/(loss) will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(25,904)**	(63,831)
Financial assets at fair value through other comprehensive income:		
Change in fair value	**133,032**	37,873
Income tax effect	**(33,258)**	(9,468)
	99,774	28,405
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**73,870**	(35,426)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**81,030**	(19,590)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**22,447**	(110,138)
Attributable to:		
Owners of the Company	**29,945**	(104,749)
Non-controlling interests	**(7,498)**	(5,389)
	22,447	(110,138)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**135,305**	144,720
Investment properties	*10*	**431,000**	438,000
Right-of-use assets		**13,758**	–
Prepaid land lease payments		**–**	12,546
Goodwill		**18,871**	53,366
Intangible assets		**2,630**	14,510
Network films and dramas		**457**	–
Investments in associates		**250,360**	270,054
Financial assets at fair value through profit or loss		**127,702**	163,964
Financial assets at fair value through other comprehensive income		**233,414**	100,382
Deferred tax assets		**1,128**	1,843
Total non-current assets		**1,214,625**	1,199,385
CURRENT ASSETS			
Network films and dramas under production		**3,663**	19,116
Trade receivables	*11*	**2,014**	10,082
Prepayments, other receivables and other assets		**13,872**	25,365
Financial assets at fair value through profit or loss		**16,739**	15,796
Restricted cash balances and pledged deposits		**183,009**	274,533
Cash and cash equivalents		**372,110**	311,475
Total current assets		**591,407**	656,367
CURRENT LIABILITIES			
Trade payables	*12*	**8,014**	19,403
Other payables and accruals		**51,800**	75,775
Interest-bearing bank borrowings		**130,000**	195,058
Tax payable		**10,281**	9,114
Lease liabilities		**755**	–
Total current liabilities		**200,850**	299,350
NET CURRENT ASSETS		**390,557**	357,017
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,605,182**	1,556,402

	Notes	**2019**	2018
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**521**	–
Deferred tax liabilities		**139,066**	116,624
Deferred income		**2,100**	4,070
Total non-current liabilities		**141,687**	120,694
Net assets		**1,463,495**	1,435,708
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**22,818**	22,818
Reserves		**1,438,430**	1,403,765
		1,461,248	1,426,583
Non-controlling interests		**2,247**	9,125
Total equity		**1,463,495**	1,435,708

NOTES

31 December 2019

1. CORPORATE INFORMATION

A8 New Media Group Limited (the "**Company**" or "**A8 New Media**") 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 year, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the following principal activities in the People's Republic of China (the "**PRC**" or "**Mainland China**"):

- provision of digital entertainment services
- property investment

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for certain properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and separately presented in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	13,832
Decrease in prepaid land lease payments	(12,869)
Increase in total assets	963

	Increase/ (decrease) *RMB'000*
Liabilities	
Increase in lease liabilities	963
Increase in total liabilities	963

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	452
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(307)
Add: Payments for optional extension periods not recognised as at 31 December 2018	903
	1,048
Weighted average incremental borrowing rate as at 1 January 2019	4.81%
Discounted operating lease commitments as at 1 January 2019	963
Lease liabilities as at 1 January 2019	963

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered that the interpretation did not have any significant impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

(a) the digital entertainment segment engages in the provision of (1) music-based entertainment; (2) game-related services; and (3) film and television production in the 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 resource 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/loss before tax except that bank interest income, non-lease-related finance costs and corporate and other unallocated income and expenses are excluded from such measurement.

For the year ended 31 December

	Digital entertainment		Property investment		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**31,559**	76,654	**76,879**	71,746	**108,438**	148,400
Cost of services provided	**(32,988)**	(59,553)	**(17,491)**	(20,929)	**(50,479)**	(80,482)
Gross profit	**(1,429)**	17,101	**59,388**	50,817	**57,959**	67,918
Segment results	**(61,133)**	(140,686)	**49,367**	68,817	**(11,766)**	(71,869)
Reconciliation:						
Bank interest income					**14,943**	15,904
Finance costs (other than interest on lease liabilities)					**(6,494)**	(8,163)
Corporate and other unallocated income and expenses, net					**(62,404)**	(1,640)
Loss before tax					**(65,721)**	(65,768)
Other segment information						
Depreciation and amortisation						
— operating segments	**10,407**	9,247	**–**	–	**10,407**	9,247
— corporate					**4,719**	5,448
					15,126	14,695
Capital expenditure*	**156**	11,912	**–**	–	**156**	11,912
Fair value gains/(losses) on investment properties	**–**	–	**(7,000)**	18,000	**(7,000)**	18,000
Equity-settled share option expense						
— operating segments	**2,583**	–	**–**	–	**2,583**	–
— corporate					**2,202**	2,012
					4,785	2,012
Share of profits and losses of associates, net	**(6,210)**	12,723	**–**	–	**(6,210)**	12,723
Impairment losses recognised in the statement of profit or loss, net	**41,228**	125,258	**–**	–	**41,228**	125,258
Investments in associates	**250,360**	270,054	**–**	–	**250,360**	270,054

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

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.

Information about major customers

During the year ended 31 December 2019, the Group had no single external customer which contributed over 10% of the Group's total revenue for the current year.

During the year ended 31 December 2018, revenue of approximately RMB21,038,000 and RMB18,912,000, respectively, were derived from sales to two major customers of the Group which each contributed 10% or more of the Group's total revenue for that year.

5. REVENUE, OTHER INCOME AND GAINS, NET

As analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**48,554**	93,424
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	**1,537**	N/A
Other lease payments, including fixed payments	**58,347**	N/A
	59,884	54,976
	108,438	148,400
Other income and gains, net		
Fair value gains on investment properties	**–**	18,000
Bank interest income	**14,943**	15,904
Fair value gains on financial assets at fair value through profit or loss	**–**	61,699
Gain on deemed disposal of an investment in an associate	**–**	2,785
Dividend income from a financial asset at fair value through other comprehensive income	**693**	–
Foreign exchange differences, net	**–**	1,404
Others	**2,105**	1,999
	17,741	101,791

6. LOSS BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**8,771**	8,765
Depreciation of right-of-use assets[#] (2018: amortisation of prepaid land lease payments[#])	**1,208**	323
Amortisation of intangible assets	**5,147**	5,607
Amortisation of network film and dramas*	**16,827**	–
Impairment of goodwill**	**34,495**	35,040
Minimum lease payments under operating leases	**–**	2,672
Lease payments not included in the measurement of lease liabilities	**501**	–
Auditor's remuneration	**3,041**	2,809
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	**27,378**	34,308
Staff education fee	**18**	29
Welfare, medical and other expenses	**2,640**	3,504
Contributions to social security plans	**5,144**	5,424
Equity-settled share option expense[@]	**4,785**	2,012
	39,965	45,277
Foreign exchange differences, net**/***	**1,129**	(1,404)
Impairment of investments in associates**	**–**	76,149
Write-off of trade receivables**	**–**	3,068
Reversal of impairment of trade receivables**	**(43)**	(26)
Reversal of impairment of financial assets included in prepayments, other receivables and other assets**	**(96)**	(94)
Impairment of prepayments*	**–**	3,656
Impairment of intangible assets*	**6,733**	10,413
Mobile and telecom charges*	**1,488**	3,142
Game publishing service charges*	**2,715**	21,288
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*	**17,491**	20,929
Dividend income from a financial asset at fair value through other comprehensive income***	**(693)**	–
Loss on disposal of items of property, plant and equipment**	**273**	80
Loss on deregistration of subsidiaries**	**1,540**	–
Write-off of trade payables*	**(9,310)**	(4,365)
Changes in fair value of investment properties	**(7,000)**	18,000
Fair value (gains)/losses on financial assets at fair value through profit or loss**/***	**36,319**	(61,699)
Government grants[##]	**(3,169)**	(4,567)
Gain on deemed disposal of an investment in an associate***	**–**	(2,785)

Included in “Administrative expenses” on the face of the consolidated statement of profit or loss

Included in “Selling and marketing expenses” on the face of the consolidated statement of profit or loss. Various government grants have been received for developing the cultural industry in Shenzhen in relation to Shenzhen’s government policy. The government grants received have been deducted from the selling and marketing expenses to which they relate. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not been utilised are included in deferred income in the consolidated statement of financial position.

* Included in “Cost of services provided” on the face of the consolidated statement of profit or loss

** Included in “Other expenses, net” on the face of the consolidated statement of profit or loss

*** Included in “Other income and gains, net” on the face of the consolidated statement of profit or loss

@ Included equity-settled share option expense of share options granted to employees of an associate

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary arising in Hong Kong is taxed at 8.25% (2018: 8.25%) and the remaining assessable profits are taxed at 16.5% (2018: 16.5%).

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

An analysis of the income tax charge/(credit) for the year is as follows:

	2019 ***RMB’000***	2018 *RMB’000*
Current — Hong Kong		
Charge for the year	**139**	72
Current — PRC		
Charge for the year	**2,369**	1,262
Underprovision/(overprovision) in prior years	**455**	(396)
Deferred	**(10,101)**	23,842
Total tax charge/(credit) for the year	**(7,138)**	24,780

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDIANARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts for the year ended 31 December 2019 is based on the loss for the year attributable to ordinary equity holders of the Company of RMB51,085,000 (2018: loss for the year of RMB85,159,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme and treasury shares during the year of 2,693,535,000 (2018: 2,691,118,000).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018, respectively, in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic loss per share amount presented.

10. INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**438,000**	420,000
Fair value gains/(losses) on investment properties	**(7,000)**	18,000
Carrying amount at 31 December	**431,000**	438,000

The Group's investment properties were revalued on 31 December 2019 and 2018 based on valuations performed by Asset Appraisal Limited, independent professionally qualified valuer.

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

11. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**2,282**	10,393
Impairment	**(268)**	(311)
	2,014	10,082

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to it within a period of 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables. Trade receivables are non-interest-bearing.

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

	2019	2018
	RMB'000	*RMB'000*
Billed		
Within 1 month	**209**	22
1 to 2 months	**47**	2,703
2 to 3 months	**46**	231
Over 3 months	**275**	1,453
	577	4,409
Unbilled	**1,437**	5,673
	2,014	10,082

12. 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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**289**	8,195
1 to 3 months	**14**	836
4 to 6 months	**38**	654
Over 6 months	**7,673**	9,718
	8,014	19,403

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

As at 31 December 2019, included in the trade payables is an amount due to a joint venture of RMB46,000 (2018: amounts due to an associate of RMB344,000 and due to a joint venture of RMB46,000), which is unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 (2018: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
2,700,886,628 (2018: 2,700,886,628) ordinary shares of HK$0.01 each	**22,818**	22,818

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, and successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Code provision A.2.1 in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual.

In the year ended 31 December 2019, the chairman and chief executive officer of the Company are both held by Mr. Liu Xiaosong, which did not complied with the corporate governance requirements as set out in code provision A.2.1. Considering Mr. Liu Xiaosong 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 lead the Board in making business decision for the Group. Therefore, Mr. Liu has had the dual roles of the Chairman and CEO of the Company despite deviation from code provision A.2.1 during the year ended 31 December 2019.

Throughout the year ended 31 December 2019, the Company has applied the principles and complied with all code provisions, and where applicable, the recommended best practices as set out in the CG Code, except for the deviation from code provision A.2.1 as explained above. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and professional standards and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code for securities transactions by Directors on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules. Upon specific enquiries of all Directors, each of them confirmed that they have complied with complied with the own code and the model code throughout the year ended 31 December 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "**Employees Written Guidelines**") who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") will be held on Friday, 29 May 2020. The notice of the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 25 May 2020.

AUDIT COMMITTEE

The Audit Committee of the Company, all members of which are independent non-executive Directors with the Chairman Mr. Chan Yiu Kwong having appropriate professional qualifications and experience in financial matters, has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.a8nmg.com), and the Annual Report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
A8 New Media Group Limited
Liu Xiaosong
Chairman

Hong Kong, 31 March 2020

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

(1) Executive Directors namely Mr. Liu Xiaosong and Mr. Lin Qian; and

(2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Li Feng.