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A8 New Media Group Limited

A8新媒體集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 800)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Profit for 2022 of the Group amounted to approximately RMB14.0 million, while it was approximately RMB55.5 million for 2021. Profit attributable to the continuing operations was approximately RMB22.0 million.
- Revenue from continuing operations of the Group for 2022 amounted to approximately RMB79.2 million, representing a decrease of approximately 1.5% as compared with 2021 (2021: approximately RMB80.4 million).
- The gross profit margin ratio from continuing operations of the Group was approximately 76.9% for 2022, which increased 2.0 percentage point as compared to that of 2021, while it was approximately 74.9% for 2021.
- Strong balance sheet with cash and cash equivalents and highly liquid short-term assets of approximately RMB628.8 million as at 31 December 2022.

The board of directors (the “**Board**”) of A8 New Media Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW AND OUTLOOK

Business Review of 2022

During the reporting period, government departments continued to strengthen management on the protection of minors, privacy protection and data security, and the novel coronavirus (“COVID-19”) pandemic (“**pandemic**”) has repeatedly resurged. Facing the development and changes of the market environment and government regulatory policies and the impact of the pandemic, the Group adjusted the operating strategies of each business segment, divested the loss-making online game business, and continued to develop the online literature business, take measures such as strengthened cost management and control, and improved service quality, etc., and to reduce the negative impact of the pandemic on the business operation of the industrial park, so as to maintain a high occupancy rate. At the same time, the Group has been strengthening the research and analysis of products, markets and future development trends in the fields of technology, Internet, big consumption, new energy, etc., and it has been strengthening the control of project approval and project risk control, and prepares for investment in these areas.

The Group has been engaging 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.

Cultural Business

The Group provides cultural business including online literature, online games, music, film and television. During the reporting period, the company adjusted and disposal its online game business and maintained the stable development of other cultural businesses. Below are the detailed descriptions of each part of cultural business.

Online Literatures

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

For online literature business, as of 31 December 2022, the cumulative number of registered users on Beijing Zhangwen own platform increased by 11% compared to the same period last year. In addition to providing users with high quality reading services on its own platform, Beijing Zhangwen also has authorized cooperation with influential third-party platforms in the industry. In 2022, a number of original literatures and adaptations of derivative literatures of Beijing Zhangwen have been on the top of the bestseller list for a long time such as 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」), MiGu Culture (「咪咕文化」), iQIYI (「愛奇藝」), Tencent Video (「騰訊視頻」), etc., 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 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.

For audiobook and audio content business, Beijing Zhangwen’s anchor Multi-Channel Network (“**MCN**”) agencies added over 100,000 hours of audiobooks and audio content compared to last year, and many of its audiobooks have entered the top 10 best-seller lists of Himalayan FM (「喜馬拉雅FM」), Tomato Listen (「番茄暢聽」), Irts.me (「懶人聽書」) and Dragonfly FM (「蜻蜓FM」), etc. 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. Its anchor MCN organization built a high-quality audio content production base this year, established a virtual uploader system, and combined and expanded AI vocals based on smart sound.

For animation 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 List, Soaring List, Treasure List and Best Selling List, and will launch several short-form comic and animation works produced with AI-Generated Content (“**AIGC**”) in 2023. The high quality original comic content research and development capability have laid a good foundation for the expansion of animation business. Beijing Zhangwen’s animation production agency, which introduced AI-assisted animation production in the animation production process, launched its first virtual human animated short film in 2022 and will launch several AI-assisted completed animated short film series in 2023.

The two sequels of the series of world-view fantasy films “The Great Illusionist” (“大幻術師”) produced by Beijing Zhangwen’s film and television agency broadcast on iQiyi and Tencent Video in the summer of 2022. After its launch, it has won the top online movie share winner for 4 consecutive days, and in the first week of its launch, it topped the rankings of iQiyi’s online movie Popularity List, Tencent’s online movie Viewing List, and was listed on the Douyin Entertainment List and Kuaishou Entertainment List. The second part of “Giant Crocodile” (“巨鱷”), the first worldview monster series IP movie of Zhangwen’s film and television agency, was launched in November 2022. It is innovating on the basis of the original monster theme, it has been on the off site Hot Search List for 6 times, on the Kuaishou List for 3 times, topped the Top 1 Entertainment List twice, and Top 5 on Entertainment List, and it has achieved Top 1 on Douyin Movie List, iQiyi Soaring List, Tencent Movie Search List.

Game Business

During the reporting period, the Group’s revenue from the online game business was mainly derived from independent game research and development companies, Shanghai Mu77 Network Technology Co., Ltd. (上海木七七網絡科技有限公司, “MU77SH”) and Mu77 Network Technology Hongkong Limited (香港木七七網絡科技有限公司, “MU77HK”) (collectively “Mu77”). Subject to the influence of the national policies on the protection of minors and factors such as fierce competition in the game industry, and accelerated product updates and iterations, the development of game business of the group was severely hampered, and the cash is insufficient to maintain its business operations. In order to avoid causing further losses to the Group, the management took decisive measures to scale down the business and control costs during the reporting period, and dispose 51% of the shares of Mu77 held by the Group at the end of 2022. As of the date of this announcement, the disposal transaction has been completed.

Film & Television Business

During the reporting period, 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.

Industrial Park Business

During the reporting period, the Group’s revenue was derived from the rent and property services income of the National Music Industry Park — A8 Music Building. A8 Music Building is located in the core area of Shenzhen Bay Area. It has a superior location with a total gross floor area of 52,500 square meters. It integrates music performance, office and business services.

In 2022, the situation of COVID-19 pandemic is still severe and has effect on the rental business of industry park business. The Group adopted a number of measures in the face of challenges: (I) While organizing the fight against the pandemic, various measures have been taken to stabilize old customers, including but not limited to waiving the late payment fee for customers affected by the pandemic. (II) Adjusted investment promotion measures, developed new customers, and provided customized services for new customers, such as design, decoration, cleaning services, etc. During the reporting period, the management team of A8 Music Building continued to improve property management and service levels, and won the Royal Institution of Chartered Surveyors (“RICS”) Annual Facility Management Team Excellence Award. These measures have achieved remarkable results, enabling the occupancy rate of the building to remain at a relatively high level despite the impact of the pandemic. The revenue of rental and property management service in 2022 was approximately RMB77.5 million, which was only a slight decrease compared with last year.

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. Due to the continued impact of the pandemic, the development and benefit realization of the music performance business and recording studio business in 2022 are not satisfactory. The management intends to adjust the business development model of A8 Live, and is currently actively exploring a new development path for A8 Live.

Business Outlook for 2023

In 2023, the Group will continue to strengthen the existing cultural industry business which mainly based on online literature, and the industrial park business, and meanwhile, the Group will also actively seek business breakthroughs and development opportunities, further strengthening its research and analysis of industry conditions, companies, products, technologies, and markets in energy and other fields, and we will focus our energy and resources on research, analysis, and exploration of key areas such as new energy, industrial internet, and metaverse, and carry out relevant business or investment under suitable conditions and timing based on the research and analysis. The Group will also strengthen project management, continuously optimize processes, and control risks while seeking business development.

The Group will continue to pay attention to changes in government regulatory policies and the market environment, and take measures to address them. We continue to adjust and move forward in the changing economic environment.

MANAGEMENT DISCUSSION AND ANALYSIS

1 FINANCIAL REVIEW

Operating Business

Revenue

For the year ended 31 December 2022, the revenue from continuing operations of the Group amounted to approximately RMB79.2 million, representing a decrease of approximately 1.5% as compared with 2021 (2021: approximately RMB80.4 million).

Cultural Business

For the year ended 31 December 2022, the revenue from continuing operations of cultural business amounted to approximately RMB1.7 million, representing a significant decrease of approximately 25.4% as compared with 2021 (2021: approximately RMB2.2 million). The decrease was mainly due to Music-based entertainment.

Property investment business

For the year ended 31 December 2022, the revenue of property investment business derived from the rentals and management fee amounted to approximately RMB77.5 million, representing a slight decrease of approximately 0.8% as compared with 2021 (2021: approximately RMB78.1 million).

Cost of services provided

For the year ended 31 December 2022, cost of services provided from continuing operations by the Group amounted to approximately RMB18.3 million, representing a decrease of approximately 9.6% as compared with 2021 (2021: approximately RMB20.2 million). The decrease was mainly due to the decrease in the cost of the cultural business, as detailed below.

Cultural business

For the year ended 31 December 2022, the cost of services provided of Cultural business amounted to approximately RMB1.7 million, representing a significant decrease of approximately 52.3% as compared with 2021 (2021: approximately RMB3.6 million). The decrease was mainly due to the Group's effective cost control measures, which resulted in a decrease of approximately RMB2.0 million in A8 Live related costs as compared with 2021.

Property investment business

For the year ended 31 December 2022, the cost of services provided of property investment business amounted to approximately RMB16.5 million, representing a slight decrease of approximately 0.3% as compared with 2021 (2021: approximately RMB16.6 million).

Gross profit

For the year ended 31 December 2022, the gross profit from continuing operations of the Group amounted to approximately RMB60.9 million, representing an increase of approximately 1.2% as compared with 2021 (2021: approximately RMB60.2 million). The overall gross margin from continuing operations of the Group (which is calculated based on gross profit divided by revenue) was 76.9% for 2022, as compared with 74.9% for 2021. The increase of gross margin from continuing operations was resulted from the decreased costs for the year.

Other income and gains, net

For the year ended 31 December 2022, the other income and gains, net from continuing operations of the Group were approximately RMB16.9 million, representing a significant decrease of approximately 63.4% as compared with 2021 (2021: approximately RMB46.2 million). The decrease was mainly due to the decrease of dividend from the Group's equity investments amounted to approximately RMB29.5 million.

Selling and marketing expenses

For the year ended 31 December 2022, the selling and marketing expenses from continuing operations of the Group amounted to approximately RMB1.9 million, representing a significant decrease of approximately 39.2% as compared with 2021 (2021: approximately RMB3.1 million). The decrease was mainly caused by the reduction in expenditure due to the needs of the Group's business stage and development strategy.

Administrative expenses

For the year ended 31 December 2022, the administrative expenses from continuing operations of the Group amounted to approximately RMB23.6 million, representing an increase of approximately 17.4% as compared with 2021 (2021: approximately RMB20.1 million).

Other expenses, net

For the year ended 31 December 2022, the other expenses, net from continuing operations of the Group amounted to approximately RMB48.0 million, representing a slight decrease of approximately 0.6% as compared with 2021 (2021: approximately RMB48.3 million).

For the year ended 31 December 2022, the other expenses, net from continuing operations mainly consisted of the fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB32.0 million; and (ii) impairment loss on investments in an associate amounted to approximately RMB16.0 million.

For the year ended 31 December 2021, the other expenses, net from continuing operations mainly consisted of (i) the fair value loss on financial assets at fair value through profit or loss amounted to approximately RMB34.1 million; (ii) fair value loss on investment properties amounted to approximately RMB10.0 million; and (iii) impairment loss on investments in an associate amounted to approximately RMB3.4 million.

Share of profits and losses of associates, net

For the year ended 31 December 2022, the Group's share of profits of associates amounted to approximately RMB5.8 million (2021: approximately RMB30.3 million). The decrease was mainly due to the decrease of share of profit of Beijing Zhangwen amounted to approximately RMB24.0 million.

Income tax charge/(expense)

For the year ended 31 December 2022, income tax charge from continuing operations of the Group amounted to approximately RMB11.9 million, while the income tax expense for 2021 was approximately RMB3.9 million. This change was mainly due to the increase of deferred tax credit of approximately RMB14.8 million arising from the recognition of deferred tax credit on temporary differences arising from a subsidiary in connection with the disposal of 51% of the equity interest in MU77SH, which was disclosed in the announcement published by the Group on 23 December 2022.

Loss for the year from a discontinued operation

For the year ended 31 December 2022, the Group obtained an annual loss of approximately RMB8.1 million from a discontinued operation, including operating revenue of approximately RMB9.3 million, operating cost of approximately RMB1.9 million, impairment of goodwill of RMB9.3 million, and administrative expenses of approximately RMB6.0 million for the year.

Profit attributable to equity holders of the Company

As a result of above-mentioned, for the year ended 31 December 2022, profit attributable to equity holders of the Company amounted to approximately RMB13.2 million, compared to a profit of approximately RMB58.0 million for the year ended 31 December 2021.

Liquidity and Financial Resources

As at 31 December 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 RMB628.8 million (2021: approximately RMB555.8 million). Among which, approximately RMB122.1 million, or approximately 19.4% was denominated in RMB.

As at 31 December 2022, 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 31 December 2022, 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 31 December 2022, the Group's financial assets at fair value through profit or loss amounted to approximately RMB92.9 million (2021: approximately RMB102.1million), which was comprised of investments in funds included in non-current assets and wealth management products included in current assets. As at 31 December 2022, the fair value of investments in funds are determined by the independent valuer appointed by the Group using the market approach. 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. During the year, the Group received dividends of approximately RMB1.3 million from fund investments.

Set out below are details of financial assets at fair value through profit or loss as at 31 December 2022:

Investment category	Fair value as at 31 December 2022 (RMB'000)	Fair value as at 31 December 2021 (RMB'000)	Percentage increase/ (decrease)
Fund investments ¹	72,878	101,858	(28.5)
Wealth management products	20,000	300	>100%
Total	<u>92,878</u>	<u>102,158</u>	<u>(9.1)</u>

Notes:

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

None of investee companies above-mentioned has a carrying amount that accounts for more than 5% of the Group’s total assets as at 31 December 2022.

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

As at 31 December 2022, the Group’s financial assets at fair value through other comprehensive income amounted to approximately RMB103.6 million (2020: approximately RMB150.6 million). 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 approach and asset-based approach. During the year, the Group received dividends of approximately RMB2.0 million from Xiamen Mengjia.

Set out below are details of financial assets at fair value through other comprehensive income as at 31 December 2022:

Investment category	Fair value as at 31 December 2022 (RMB'000)	Fair value as at 31 December 2021 (RMB'000)	Percentage increase/ (decrease)
Game development companies ¹	90,096	138,457	(34.9)
Information technology services company ²	13,493	12,114	11.4
Total	103,589	150,571	(31.2)

Notes:

- (1) Game development companies include 2 companies, namely 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. The Group engages an independent professional valuer to determine its fair value using market comparable approach. Due to the poor management of Shanghai Hanqu Network technology Co., Ltd., the Group engages an independent professional valuer to determine its fair value using asset-based 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 Lemon Network are 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 approach.

Except for Xiamen Mengjia, none of other investee companies above-mentioned has a carrying amount that accounts for more than 5% of the Group’s total assets as at 31 December 2022. Details of Xiamen Mengjia was set out in the “**MATERIAL INVESTMENTS**”.

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

2 USE OF PROCEEDS AND CHANGE IN USE OF PROCEEDS

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

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

As disclosed in the circular of the Company dated 25 January 2017, it was intended that the net proceeds from the Subscription would be utilized for further investment of the Group as and when opportunities arise, with a focus on mobile game industry chain. The use of the proceeds of the Subscription is the same as that of the subscription agreement entered by the Group. On the date of this announcement, the remaining amount of the proceeds from the Subscription was RMB235.9 million.

Factors such as the 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. 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.

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

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

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

3 MATERIAL INVESTMENTS

As at 31 December 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 investment of held as at 31 December 2022 (%)	Fair value/ Carrying amount as at 31 December 2021 RMB'000	Change in fair value/ share of profit for the year ended 31 December 2022 RMB'000	Fair value/ Carrying amount as at 31 December 2022 RMB'000	Size as compared to the Group's total assets as at 31 December 2022 (%)	Total amount of dividends received for the year ended 31 December 2022 RMB'000	Principal activities
Investment in associate	Beijing Zhangwen	195,098	35	272,100	6,415	278,515	16.8	–	Incubation and operations of IP and provision of online book reading

Save as disclosed above, for the year ended 31 December 2022, the Company did not have any material investments. However, the Group will continue to consolidate the current businesses, while seeking new opportunities to complement and strengthen our existing business operations.

4 HUMAN RESOURCES

As at 31 December 2022, the Group had 18 employees (2021: 56). The average headcounts of 2022 was 37 while it was 60 in 2021. 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 2022, including directors' emoluments, amounted to approximately RMB18.2 million, representing a decrease of approximately 3.7% as compared with 2021 (2021: approximately RMB18.9 million).

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 have 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.

5 MAJOR RISKS AND UNCERTAINTIES

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

Business Risk

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

Cultural business segment is engaged in film & television production related business. Some projects have a long development and production cycle, rigorous approval process, 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 is mainly determined by the operation of these invested companies. If the invested companies fail to achieve the expected performance target, it might adversely affect the Group's business.

Policy Risk

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

Economic and Political Environment

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

Banking Risk

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

Foreign Exchange Risk

On 31 December 2022, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HK\$6.2 million and US\$68.9 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 UPDATE ON THE FULFILLMENT OF PERFORMANCE OF LANLANLANLAN FILM & TELEVISION

As at the date of this announcement, the Group held an aggregate of 29.52% share in Lanlanlanlan Film & Television, an associate of the Company, 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, 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, totalling RMB200,423,550.37. The case was closed through mediation by the SCIA. According to the arbitration mediation statement, the founders of Lanlanlanlan Film & Television shall pay the Group a share repurchases fee and interest penalty totaling RMB200,423,550.37 before 20 November 2022. Since the founders of Lanlanlanlan Film & Television failed to fulfill the arbitration mediation agreement on time, the Group has applied to the People’s Court for enforcement and is currently in the enforcement procedure.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
CONTINUING OPERATIONS			
REVENUE	5	79,151	80,356
Cost of services provided		<u>(18,255)</u>	<u>(20,204)</u>
Gross profit		60,896	60,152
Other income and gains, net	5	16,901	46,230
Selling and marketing expenses		(1,870)	(3,075)
Administrative expenses		(23,622)	(20,129)
Other expenses, net		(48,017)	(48,283)
Finance costs		–	(670)
Share of profits and losses of associates, net		<u>5,797</u>	<u>30,307</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	10,085	64,532
Income tax credit/(expense)	7	<u>11,922</u>	<u>(3,874)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		22,007	60,658
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	<u>(8,050)</u>	<u>(5,208)</u>
PROFIT FOR THE YEAR		<u>13,957</u>	<u>55,450</u>
Attributable to:			
Owners of the Company		13,219	58,025
Non-controlling interests		<u>738</u>	<u>(2,575)</u>
		<u>13,957</u>	<u>55,450</u>

	<i>Notes</i>	2022 RMB'000	2021 RMB'000 (Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>10</i>		
Basic			
— For profit for the year		<u>0.49 cents</u>	<u>2.15 cents</u>
— For profit from continuing operations		<u>0.80 cents</u>	<u>2.25 cents</u>
Diluted			
— For profit for the year		<u>0.48 cents</u>	<u>2.14 cents</u>
— For profit from continuing operations		<u>0.79 cents</u>	<u>2.24 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	13,957	55,450
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 of group companies	<u>40,707</u>	<u>(6,243)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	(46,982)	(84,070)
Income tax effect	<u>11,745</u>	<u>21,017</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(35,237)</u>	<u>(63,053)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>5,470</u>	<u>(69,296)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>19,427</u></u>	<u><u>(13,846)</u></u>
Attributable to:		
Owners of the Company	18,689	(11,271)
Non-controlling interests	<u>738</u>	<u>(2,575)</u>
	<u><u>19,427</u></u>	<u><u>(13,846)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		114,301	119,548
Investment properties	<i>11</i>	414,000	412,000
Right-of-use assets		11,576	12,538
Goodwill		–	9,278
Intangible assets		796	1,172
Investment in associates		289,487	299,690
Financial assets at fair value through profit or loss		72,878	101,858
Financial assets at fair value through other comprehensive income		103,589	150,571
Deferred tax assets		16,316	235
		<hr/>	<hr/>
Total non-current assets		1,022,943	1,106,890
CURRENT ASSETS			
Inventories		503	603
Trade receivables	<i>12</i>	7,410	1,061
Prepayments, other receivables and other assets		3,887	5,086
Financial assets at fair value through profit or loss		20,000	300
Restricted bank balances		65	65
Cash and cash equivalents		608,766	555,390
		<hr/>	<hr/>
		640,631	562,505
Assets of a disposal group classified as held for sale	<i>8</i>	552	–
		<hr/>	<hr/>
Total current assets		641,183	562,505
CURRENT LIABILITIES			
Trade payables	<i>13</i>	7,082	7,754
Other payables and accruals		36,383	51,008
Tax payable		15,963	18,351
Lease liabilities		–	402
		<hr/>	<hr/>
		59,428	77,515
Liabilities directly associated with the assets classified as held for sale	<i>8</i>	4,670	–
		<hr/>	<hr/>
Total current liabilities		64,098	77,515
NET CURRENT ASSETS			
		<hr/>	<hr/>
		577,085	484,990
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,600,028	1,591,880

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		88,082	105,895
Lease liabilities		<u>–</u>	<u>243</u>
Total non-current liabilities		<u>88,082</u>	<u>106,138</u>
Net assets		<u>1,511,946</u>	<u>1,485,742</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	23,162	22,870
Reserves		<u>1,490,432</u>	<u>1,465,258</u>
		1,513,594	1,488,128
Non-controlling interests		<u>(1,648)</u>	<u>(2,386)</u>
Total equity		<u>1,511,946</u>	<u>1,485,742</u>

NOTES

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**”):

- cultural business
- property investment

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) which include all International Financial Reporting Standards, International Accounting Standards (“**ISA**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”), accounting principles generally accepted in Hong Kong 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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair value less cost to sell. The financial statements 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 Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment 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

The nature and the 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* (the “**Conceptual Framework**”) 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 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 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 business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
 - IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any 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 cultural business segment engages in the provision of (1) music-based entertainment; and (2) film and television production in the PRC; and
- (b) the property investment segment invests in properties for rental and management fee income in the PRC.

During the year, the Group entered into an equity transfer agreement to dispose of its game development and publishing business which was included in the cultural business segment in the year ended 31 December 2021. Since the game development and publishing business represented a major line of cultural business segment, the game development and publishing business was regarded as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, the related financial information of the game development and publishing business was not included in the operating segment information from the continuing operations and the comparative information was also reclassified to conform with the current year's presentation.

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 before tax from continuing operations. The adjusted profit before tax is measured consistently with the Group's profit before tax from continuing operations 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

	Cultural Business		Property investment		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)				(Restated)
Segment revenue	1,676	2,246	77,475	78,110	79,151	80,356
Cost of services provided	(1,736)	(3,641)	(16,519)	(16,563)	(18,255)	(20,204)
Gross profit/(loss)	(60)	(1,395)	60,956	61,547	60,896	60,152
Segment results	(14,293)	16,606	57,962	48,480	43,669	65,086
Reconciliation:						
Bank interest income					8,534	10,867
Finance costs (other than interest on lease liabilities)					–	(670)
Corporate and other unallocated income and expenses, net					(42,118)	(10,751)
Profit before tax from continuing operations					10,085	64,532
Other segment information						
Depreciation and amortisation						
— operating segments	1,388	4,294	–	–	1,388	4,294
— corporate	–	–	–	–	4,612	4,589
					5,950	8,883
Capital expenditure*	59	310	–	–	59	310
Fair value (gains)/losses on investment properties	–	–	(2,000)	10,000	(2,000)	10,000
Equity-settled share option expense						
— operating segments	–	203	–	–	–	203
— corporate	–	–	–	–	–	1,447
					–	1,650
Share of profits and losses of associates, net	(5,797)	(30,307)	–	–	(5,797)	(30,307)
Impairment losses recognised in the statement of profit or loss, net	16,000	3,382	1,806	–	17,806	3,382
Investments in associates	289,487	299,690	–	–	289,487	299,690

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

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

The Group had no single external customer from which the revenue amounted to over 10% of the Group's total revenue for the current and prior year.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Revenue from contracts with customers		
Music-based entertainment	1,635	2,221
Film and television production	41	25
Management services	16,791	17,635
	<u>18,467</u>	<u>19,881</u>
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	1,394	1,427
Other lease payments, including fixed payments	59,290	59,048
	<u>60,684</u>	<u>60,475</u>
	<u>79,151</u>	<u>80,356</u>
Other income and gains, net		
Bank interest income	8,534	10,867
Dividend income from financial assets at fair value through profit or loss	1,261	29,763
Dividend income from a financial asset at fair value through other comprehensive income	2,002	3,000
Government grant*	1,737	2,600
Fair value gains on investment properties	2,000	–
Foreign exchange differences, net	1,367	–
	<u>16,901</u>	<u>46,230</u>

* There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2022	2021
	RMB'000	RMB'000
		(Restated)
Depreciation of property, plant and equipment	5,251	7,831
Depreciation of right-of-use assets	323	323
Amortisation of intangible assets	376	729
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	10,833	7,024
Staff education fee	28	3
Welfare, medical and other expenses	620	542
Contributions to social security plans*	1,311	997
Equity-settled share option expense	–	1,650
	12,792	10,216
Impairment/(reversal of impairment) of trade receivables	1,806	(35)
Impairment of an investment in an associate	16,000	3,378
Impairment of financial assets included in prepayments, other receivables and other assets	–	39
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	16,519	16,562
Gain on disposal of items of property, plant and equipment	(9)	(20)
Fair value losses/(gains) on investment properties	(2,000)	10,000
Fair value losses on financial assets at fair value through profit or loss	31,980	34,072

* There are no forfeited contributions that may be used by the Group as the employer to reduce its contributions in future years (2021: Nil).

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary arising in Hong Kong were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

The income tax for the subsidiaries operating in Mainland China is calculated at the statutory tax rate of 25%, except for a subsidiary which was entitled to a preferential rate.

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Current — PRC			
Charge for the year		10,227	14,517
Deferred		(22,149)	(10,643)
Total tax charge/(credit) for the year from continuing operations		(11,922)	3,874
Total tax change for the year from a discontinued operation			
Current — Hong Kong	8	<u>—</u>	<u>72</u>
Total tax charge/(credit) for the year		<u>(11,922)</u>	<u>3,946</u>

8. DISCONTINUED OPERATION

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

The results of the Disposed Game Development and Publishing Services for the years ended 31 December 2022 and 2021 are presented below:

	2022	2021
	RMB'000	RMB'000
Revenue	9,250	7,507
Cost of services provided	(1,943)	(1,944)
Gross profit	7,307	5,563
Other income and gains	337	235
Impairment of goodwill	(9,278)	–
Expenses	(6,403)	(10,914)
Finance costs	(13)	(20)
Loss before tax from the discontinued operation	(8,050)	(5,136)
Income tax expense	–	(72)
Loss for the year from the discontinued operation	(8,050)	(5,208)

The major classes of assets and liabilities of the Disposed Game Development and Publishing Services classified as held for sale as at 31 December 2022 are as follows:

	<i>RMB'000</i>
<i>Assets</i>	
Trade receivables	6
Prepayments, other receivables and other assets	66
Cash and cash equivalents	480
Assets classified as held for sale	552
<i>Liabilities</i>	
Other payables and accruals	4,670
Liabilities directly associated with the assets classified as held for sale	4,670
Net liabilities directly associated with the disposed group	(4,118)

9. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2022 (2021: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share are calculated by dividing the profit attributable to the ordinary equity holders of the Company by the weighted average number of shares in issue during the years ended 31 December 2022 and 2021.

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit for the year attributable to ordinary equity holders of the Company for the purpose of basic and diluted earnings per share calculation		
From continuing operations	21,871	60,682
From a discontinued operation	<u>(8,652)</u>	<u>(2,657)</u>
	<u>13,219</u>	<u>58,025</u>
Number of shares		
	2022	2021
	<i>'000</i>	<i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,719,733	2,701,536
Effect of dilution — weighted average number of ordinary shares: Share options	<u>34,007</u>	<u>4,601</u>
	<u>2,753,740</u>	<u>2,706,137</u>

11. INVESTMENT PROPERTIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at 1 January	412,000	422,000
Fair value gains/(losses) on investment properties	<u>2,000</u>	<u>(10,000)</u>
Carrying amount at 31 December	<u><u>414,000</u></u>	<u><u>412,000</u></u>

The Group's investment properties were revalued on 31 December 2022 and 2021 based on valuations performed by Asset Appraisal Limited, an independent professionally qualified valuer.

12. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	9,216	1,309
Impairment	<u>(1,806)</u>	<u>(248)</u>
	<u><u>7,410</u></u>	<u><u>1,061</u></u>

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. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Billed		
Within 1 month	1,954	207
1 to 2 months	1,739	218
2 to 3 months	1,484	13
Over 3 months	<u>2,233</u>	<u>11</u>
	7,410	449
Unbilled	<u>-</u>	<u>612</u>
	<u><u>7,410</u></u>	<u><u>1,061</u></u>

13. TRADE PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	–	35
1 to 3 months	–	86
4 to 6 months	–	35
Over 6 months	<u>7,082</u>	<u>7,598</u>
	<u>7,082</u>	<u>7,754</u>

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

As at 31 December 2022, included in the trade payables was an amount due to a joint venture of RMB46,000 (2021: RMB46,000), which was unsecured, interest-free and repayable on demand.

14. ISSUED CAPITAL

Shares

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Authorised: 3,000,000,000 (2021: 3,000,000,000) ordinary shares of HK\$0.01 each	<u>26,513</u>	<u>26,513</u>
Issued and fully paid: 2,740,338,628 (2021: 2,707,190,628) ordinary shares of HK\$0.01 each	<u>23,162</u>	<u>22,870</u>

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

	<i>Notes</i>	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Equivalent share premium <i>RMB\$'000</i>
At 1 January 2021		2,700,886,628	27,009	1,148,150	22,818	966,775
Issue of new shares	(a)	12,722,000	127	3,641	104	2,979
Shares repurchased	(b)	<u>(6,418,000)</u>	<u>(64)</u>	<u>(1,310)</u>	<u>(52)</u>	<u>(1,071)</u>
At 31 December 2021 And 1 January 2022		2,707,190,628	27,072	1,150,481	22,870	968,683
Issue of new shares	(c)	<u>33,198,000</u>	<u>332</u>	<u>11,076</u>	<u>292</u>	<u>9,667</u>
As at 31 December 2022		<u><u>2,740,388,628</u></u>	<u><u>27,404</u></u>	<u><u>1,161,557</u></u>	<u><u>23,162</u></u>	<u><u>978,350</u></u>

Notes:

- (a) The subscription rights attaching to 12,722,000 share options were exercised at the subscription price of HK\$0.219 per share, resulting in the issue of 12,722,000 shares for a total cash consideration, before expenses, of approximately HK\$2,786,000, equivalent to approximately RMB2,280,000. An amount of approximately RMB803,000 was transferred from the employee share-based compensation reserve to share premium upon the exercise of the share options.
- (b) The Company repurchased 6,418,000 of its shares on the Stock Exchange at a total consideration of HK\$1,374,000, equivalent to RMB1,123,000. The purchased shares were cancelled during the year. Upon the cancellation of shares repurchased, the issued share capital and the share premium of the Company were reduced by HK\$64,000, equivalent to RMB52,000, and HK\$1,310,000, equivalent to RMB1,071,000, respectively.
- (c) The subscription rights attaching to 21,138,000 and 12,060,000 share options were exercised at the subscription price of HK\$0.219 and HK\$0.255 per share, respectively, resulting in the issue of 33,198,000 shares for a total cash consideration, before expenses, of approximately HK\$7,704,522, equivalent to approximately RMB6,777,000. An amount of approximately RMB3,182,000 was transferred from the employee share-based compensation reserve to share premium upon the exercise of the share options.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the disposal of the Blueowlgames Limited and Shanghai Mu77 Network Technology Co., Ltd was completed and expected to recognise a gain on disposal of approximately RMB2,171,000.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor its subsidiaries has purchased, redeemed or sold 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 2022.

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. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Code provision C.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 2022, the chairman and chief executive officer of the Company are both held by Mr. Liu Xiaosong, which did not comply with the corporate governance requirements as set out in code provision C.2.1. Considering Mr. Liu Xiaosong has diversified experience in the technology, internet and investment areas, and 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 C.2.1 during the year ended 31 December 2022.

Throughout the year ended 31 December 2022, 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 C.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 the own code and the model code throughout the year ended 31 December 2022.

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December, 2022, and discussed with the auditors and management the accounting policies and internal controls adopted by the Group. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

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 2022 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 and consequently no assurance conclusion has been expressed by Ernst & Young on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Group will publish on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Group (<http://www.a8nmg.com>), and the Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Group and published on the above websites in due course.

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

Hong Kong, 30 March 2023

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

- (1) Executive Directors namely Mr. Liu Xiaosong and Mr. Ji Bo; and*
- (2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Gao Shenglin.*