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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 2021

FINANCIAL HIGHLIGHTS

- Profit for 2021 of the Group amounted to approximately RMB55.5 million, while it was approximately RMB48.6 million for 2020.
- Revenue of the Group for 2021 amounted to approximately RMB87.9 million, representing a decrease of approximately 3.8% as compared with 2020 (2020: approximately RMB91.3 million).
- The gross profit margin ratio of the Group was approximately 74.8% for 2021, which decreased 2.1 percentage point as compared to that of 2020, while it was approximately 76.9% for 2020.
- Strong balance sheet with cash and cash equivalents and highly liquid short-term assets of approximately RMB555.8 million as at 31 December 2021.

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 2021. 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 2021

During the reporting period, the Group still mainly focuses on the cultural business market which consisting of online literature, online games, film and television, short videos, music, etc. Meanwhile, the group carry out industrial park business, and research and analyze products, markets and development trends in future in the fields of technology, culture, and big consumption to prepare for investment in the above-mentioned fields. During the reporting period, the approval of game version numbers continues to be tightened, and government departments have strengthened policies and supervision on the protection of minors, privacy protection, and data security, and the novel coronavirus (“**COVID-19**”) pandemic has repeatedly resurged. In the face of changes in the market environment and government supervision policies and the impact of the COVID-19 pandemic, the Group adjusts the operation strategies of each business segment, strengthens project approval control and project risk control, improves cost control, and adopts relevant measures to avoid the impact of the pandemic on the business operation of the industrial park business.

The Group has been engaged in the technology and cultural business for 20 years and our management team has experience in the technology and cultural business. The Group has a relatively in-depth knowledge and research of the technology and cultural industries and is well-equipped to engage in technology and culture-related businesses and investments. In order to better conform to the direction of national policies, adapt to changes in the industry environment and achieve breakthrough development for the Group, the Group has extended into the technology field on the basis of the cultural field, conducted research on technology-related fields and searched for business and investment opportunities in the technology and cultural fields.

Cultural Business

The Group provides cultural business including online games, film and television, and online literature. Below is the detailed descriptions of each part of cultural business.

Game Business

In 2021, in the face of tightening national regulations on the gaming industry and increasing competition in the gaming industry, the Group carried out strategic adjustments actively, and made structural adjustments and optimizations to its online game business line. At the same time, the Group controlled costs and reduced the scale of game distribution, and focused on game research and development.

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"), its original game "Colossus Knights" (「巨像騎士團」), "Card Monster" (「卡片怪獸」) and its proxy games "Adventure and the Abyss" (「冒險與深淵」). The "Meow Fly to the Moon" (「奔月喵」), which is the sequel based on "Colossus Knights" has entered the development and testing stage and is expected to be launched in Hong Kong, Macao and Taiwan regions of China in Q2 2022, and the exact launch date in Mainland China to be determined.

Film & Television Business

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

As of 31 December 2021, the Group held a total of 29.52% share of the Lanlanlanlan Film & Television Media (Tianjin) Co., Ltd. (藍藍藍藍影視傳媒(天津)有限公司) ("**Lanlanlanlan Film & Television**") through capital increase, share acquisition and performance competition. Lanlanlanlan Film & Television is mainly engaged in the business of script writing, script selling and adaptation of scripts and online video content production. Due to the intense competition in the film and television industry coupled with the impact of the pandemic, Lanlanlanlan Film & Television only shot and distributed two online movies in 2021 and its business situation and financial position did not meet expectations.

Online literatures

北京掌文信息技術有限公司 (Beijing Zhangwen Information Technology Co., Ltd) (“**Beijing Zhangwen**”) focuses on the incubation, production and global distribution of high-quality entertainment content IP. Beijing Zhangwen currently mainly operates four business segments — research and development (“**R&D**”) of online literary, audiobooks and audio content, animation and comic and video contents.

The content operations of Beijing Zhangwen’s various subsidiaries continued to grow steadily. For the year ended 31 December 2021, Beijing Zhangwen’s operating revenue increased by 11% over the same period in 2020. The growth was mainly due to the refinement of the three business segments of audiobooks and audio content, video content and online literary content.

In the audiobook and audio content business, Beijing Zhangwen’s anchor Multi-Channel Network (“**MCN**”) added over 60,000 hours of audiobooks and audio content compared to the previous year, with a number of audiobooks making it to the top 10 bestsellers on platforms such as Himalayan FM (「喜馬拉雅 FM」), Irts.me (「懶人聽書」) and Dragonfly FM (「蜻蜓FM」). The anchor MCN agencies are in the top 3 of the anchor charts of Himalayan FM, and its audio advertising and anchor merchandising business continued to grow. The anchor MCN agencies created a base for the production of high-quality audio content last year.

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

For film and television business, Beijing Zhangwen's film studio produced the metaverse science fiction online film "Special Attack of the Divine Soldier" (「神兵特攻」), which aired exclusively on Tencent video and became the highest-rated online film on Tencent Video in terms of views, share of box office and popularity in the quarter. After its release, it became Top 1 and Top 2 on the Douyin Entertainment Chart, Top 1 on both the Kuaishou Entertainment Chart and Movie Chart, and Top 1 on the Maoyan Hottest Chart. Produced by its film studio, the web film "Yoga Village" (「瑜伽村」), that Fujian Provincial Radio and Television Bureau highlighted as poverty alleviation network film, was exclusively broadcast on Tencent TV during the Spring Festival in 2022. Produced by Beijing Zhangwen's film and television agency under the direction of the Beijing Municipal Bureau of Radio and Television, the Olympics project web film "Fly! Light on Ice" (「飛吧！冰上之光」) has been shortlisted for one of the "Eight Ones" Winter Olympics Theme Project of the Beijing Bureau of Radio and Television, it was aired exclusively on iQiyi Video during the 2022 Winter Olympics. Produced by Beijing Zhangwen's film and television agency, another two worldview fantasy web films and a second metaverse science fiction web film are in advanced production and will be aired in the last third quarter of 2022.

For online literature business, the growth continues to be solid. As at 31 December 2021, the cumulative number of registered users of platforms owned by Beijing Zhangwen's agencies increased 16% compared to the same period in last year. In addition to reading online literature on its own platform, Beijing Zhangwen's agencies provide reading services to third-party reading platforms through a licensing model. During 2021, many literatures of Beijing Zhangwen's agencies were ranked within the top 10 of the bestseller lists on platforms such as Tomato Novels (「番茄小說」), Qimao Novels (「七貓小說」), Baidu Wenxue (「百度文學」), and China Mobile MiGu Culture (「中國移動咪咕文化」). Beijing Zhangwen participated in the 5th Online Literature+ Conference. The online literary work "Sword Expert" (「遊刃」), which was produced by Beijing Zhangwen, won the Outstanding Online Publication Award of the Beijing Municipal Propaganda and Culture Guidance Fund and was fully recognised by the Propaganda Department of the Beijing Municipal Committee and the Press and Publication Bureau. Beijing Zhangwen's online literary work "The People of the Canal" (「運河人家」) was selected as one of the first five titles in the "100th Anniversary of the Founding of the Communist Party of China" series of audiobooks jointly produced by the China "Online Literature+" Conference and Beijing Municipal Bureau of Radio and Television.

Industrial Park Business

During the reporting period, the Group's revenue was mainly derived from the rent and property management 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 2021, the commercial leasing market became saturated, coupled with the impact of the pandemic, the entire leasing market down in the doldrums. Facing the challenges, the Group has actively adopted a number of measures to respond to the pandemic. While organizing the fight against the pandemic, the Group adheres to the business philosophy of “Focusing on customers and demand innovation”, stabilized old customers, developed new customers, and conducted multi-channel revenue expansion with reasonable cost control. Also, it continuously improved service quality and achieved significant results so that the income of the rent and property management services of the building remain stable despite the impact of the pandemic.

The Group actively responds to the national “double carbon” goal, and has firmly improved and implemented the concept of sustainable development. In 2021, A8 Music Building won the honor of “National Three-star Green Building” and was named “Green Unit of Domestic Waste Separation in Nanshan District”.

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. Due to the impact of the pandemic, performances in A8 music performance theater decreased significantly, with 13 music performances and 8 commercial events held in 2021. During the reporting period, 301 recordings work were performed in the recording studio.

Business Outlook for 2022

In 2022, the Group will continue to focus on the cultural business market consisting of online literature, online games, film and television, short videos, and music as the main business direction, while developing the industrial park business. The Group will strengthen research and analysis of industry conditions, companies, products, technologies and markets in the fields of technology, culture and big consumption, and focus its efforts and resources on researching, analyzing and exploring key fields such as dual carbon, industrial internet and metaverse. Based on the research and analysis, we will start businesses or investments related to dual carbon, industrial internet and metaverse under suitable conditions and timing. The Group will also strengthen project management and continuously optimize its processes to control risks while seeking business development.

The Group will remain alert to the development and status of the pandemic, continue to assess its impact on the Group's financial position and operating results, and take necessary actions to minimize the impact of the pandemic to the business. Relying on high-quality management team and excellent operational capabilities, the Group will seek business breakthroughs and development in the cultural industry, and conduct investment-related work and arrangements in the technology, culture and big consumption fields. Sizing up the situation in the changing macroeconomic environment and forge ahead, we have full confidence and expectation for the future.

MANAGEMENT DISCUSSION AND ANALYSIS

1 FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the revenue of the Group amounted to approximately RMB87.9 million, representing a decrease of approximately 3.8% as compared with 2020 (2020: approximately RMB91.3 million).

Cultural Business

For the year ended 31 December 2021, the revenue of cultural business amounted to approximately RMB9.8 million, representing a decrease of approximately 25.3% as compared with 2020 (2020: approximately RMB13.1 million). The decrease was mainly due to the fact that the tightening policies were imposed by PRC government on game publishing business, resulting in a decrease of approximately RMB2.3 million in revenue from game publishing business.

Property investment business

For the year ended 31 December 2021, the revenue of property investment business derived from the rentals and management fee amounted to approximately RMB78.1 million, representing a slight decrease of approximately 0.2% as compared with 2020 (2020: approximately RMB78.3 million).

Cost of services provided

For the year ended 31 December 2021, cost of services provided by the Group amounted to approximately RMB22.1 million, representing an increase of approximately 5% as compared with 2020 (2020: approximately RMB21.1 million).

Cultural business

For the year ended 31 December 2021, the cost of services provided of Cultural business amounted to approximately RMB5.6 million, representing a significant increase of approximately 30.2% as compared with 2020 (2020: approximately RMB4.3 million). The increase was mainly due to the increase of approximately RMB1.3 million in related cost as compared with 2020 on revenue shared on game publishing business.

Property investment business

For the year ended 31 December 2021, the cost of services provided of property investment business amounted to approximately RMB16.6 million, representing a decrease of approximately 1.2% as compared with 2020 (2020: approximately RMB16.8 million). During the year, the Group has implemented continuous effective cost control.

Gross profit

For the year ended 31 December 2021, the gross profit of the Group amounted to approximately RMB65.7 million, representing a decrease of approximately 6.5% as compared with 2020 (2020: approximately RMB70.3 million). The overall gross margin of the Group (which is calculated based on gross profit divided by revenue) was 74.8% for 2021, as compared with 76.9% for 2020. The decrease of gross margin was resulted from the decreased gross profit on game publishing business for the year.

Other income and gains, net

For the year ended 31 December 2021, the other income and gains, net of the Group were approximately RMB46.5 million, representing an increase of approximately 42.2% as compared with 2020 (2020: approximately RMB32.7 million).

The increase was mainly due to the increase of dividend income in relation to fund investments amounted to approximately RMB21.6 million and, netted off by decrease in fair value gain of financial assets through profit and loss of RMB6.2 million, in which it is a loss on fair value of RMB34.1 million shown in “Other expense, net” in current year and decrease in bank interest income by RMB3.2 million.

Selling and marketing expenses

For the year ended 31 December 2021, the selling and marketing expenses of the Group amounted to approximately RMB3.6 million, representing a decrease of approximately 26.5% as compared with 2020 (2020: approximately RMB4.9 million). The decrease was mainly due to the reduction on promotion cost of game related publishing business.

Administrative expenses

For the year ended 31 December 2021, the administrative expenses of the Group amounted to approximately RMB30.6 million, representing a decrease of approximately 7.3% as compared with 2020 (2020: approximately RMB33.0 million). The decrease in administrative expenses was mainly due to the decrease in expenses.

Other expenses, net

For the year ended 31 December 2021, the other expenses, net of the Group amounted to approximately RMB48.3 million, representing a increase of approximately 76.3% as compared with 2020 (2020: approximately RMB27.4 million). The increase was mainly due to the fair value loss on financial assets at fair value through profit amounted to approximately RMB34.1 million. In addition, the goodwill arising from the acquisition of Mu77 was impaired by RMB9.6 million in 2020 and there was no such event in current year.

For the year ended 31 December 2021, the other expenses, net mainly consisted of (i) the fair value loss on financial assets at fair value through profit amounted to approximately RMB34.1 million; and (ii) fair value loss on investment properties amounted to approximately RMB10.0 million. For the year ended 31 December 2020, the other expenses, net mainly consisted of (i) an impairment loss on goodwill arising from acquisition of Mu77 amounted to approximately RMB9.6 million; (ii) fair value loss on investment properties amounted to approximately RMB9.0 million; and (iii) impairment loss on network films and drama under production for RMB3.7 million.

Share of profits and losses of associates, net

For the year ended 31 December 2021, the Group's share of profits of associates amounted to approximately RMB30.3 million (2020: approximately RMB22.4 million). The increase was mainly due to the increase of share of profit of Beijing Zhangwen amounted to approximately RMB6.8 million.

Income tax expense

For the year ended 31 December 2021, income tax expense of the Group amounted to approximately RMB3.9 million, while the income tax expense for 2020 was approximately RMB8.1 million. This change was mainly due to the increase of corporate income tax of approximately RMB5.0 million and the increase of deferred tax credit of approximately RMB9.7 million arising from the increase of fair value loss on financial assets through profit and loss.

Profit/(loss) attributable to equity holders of the Company

As a result of above-mentioned, for the year ended 31 December 2021, profit attributable to equity holders of the Company amounted to approximately RMB58.0 million, compared to a profit of approximately RMB50.7 million for the year ended 31 December 2020.

Liquidity and Financial Resources

As at 31 December 2021, 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 RMB555.8 million (2020: approximately RMB527.6 million). Among which, approximately RMB476.6 million, or approximately 85.8% was denominated in RMB.

As at 31 December 2021, the Group has no interest-bearing bank borrowings (2020: RMB46.0 million).

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

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

As at 31 December 2021, the Group’s financial assets at fair value through profit or loss amounted to approximately RMB102.1 million (2020: approximately RMB175.1 million), which was comprised of investments in funds included in non-current assets and wealth management products and listed investments included in current assets. As at 31 December 2021, the fair value of investments in funds are determined by the independent valuer appointed by the Group using the market comparable 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. During the year, the Group received dividends of approximately RMB29.8 million from fund investments.

Set out below are details of financial assets at fair value through profit or loss as at 31 December 2021:

Investment category	Fair value as at 31 December 2021 (RMB’000)	Fair value as at 31 December 2020 (RMB’000)	Percentage increase/ (decrease)
Fund investments ¹	101,858	135,930	(25.1)
Wealth management products	300	39,206	(99.2)
Total	102,158	175,136	(41.7)

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 2021.

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

As at 31 December 2021, the Group’s financial assets at fair value through other comprehensive income amounted to approximately RMB150.6 million (2020: approximately RMB234.6 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 comparable approach. During the year, the Group received dividends of approximately RMB3 million from Xiamen Mengjia.

Set out below are details of financial assets at fair value through other comprehensive income as at 31 December 2021:

Investment category	Fair value as at 31 December 2021 (RMB’000)	Fair value as at 31 December 2020 (RMB’000)	Percentage increase/ (decrease)
Game development companies ¹	138,457	225,103	(38.5)
Information technology services company ²	<u>12,114</u>	<u>9,538</u>	27.0
Total	<u><u>150,571</u></u>	<u><u>234,641</u></u>	<u><u>(35.8)</u></u>

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.
- (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 comparable 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 2021. Details of Xiamen Mengjia was set out in the "MATERIAL INVESTMENTS".

Contingent Liabilities

As at 31 December 2021, 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 2021, 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. Currently, the Company placed such unutilized proceeds as short-term interest-bearing deposits in licensed bank. For utilising the Net Proceeds efficiently and for the development of the Group. The Group may modify or amend the relevant plans as necessary in order to address the changing market conditions, and for achieving better business performance.

3 MATERIAL INVESTMENTS

As at 31 December 2021, the details of significant investments of the Group were set out as follows:

Investment category	Name of the investment	Investment cost RMB'000	Percentage of investment held as at 31 December 2021 (%)	Fair value/ Carrying amount as at 31 December 2020 RMB'000	Change in fair value/ share of profit for the year ended 31 December 2021 RMB'000	Fair value/ Carrying amount as at 31 December 2021 RMB'000	Size as compared to the Group's total assets as at 31 December 2021 (%)	Total amount of dividends received for the year ended 31 December 2021 RMB'000	Principal activities
FVOCI	Xiamen Mengjia	20,024	10	224,489	(87,378)	137,111	8.2	3,000	Games development
Investment in associate	Beijing Zhangwen	195,098	35	241,657	30,443	272,100	16.3	–	Incubation and operations of IP and provision of online book reading

Save as disclosed above, for the year ended 31 December 2021, 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 2021, the Group had 56 employees (2020: 76). The average headcounts of 2021 was 60 while it was 80 in 2020. 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 2021, including directors' emoluments, amounted to approximately RMB18.9 million, representing a decrease of approximately 18.5% as compared with 2020 (2020: approximately RMB23.2 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 pandemic, fluctuations in market prices of rent and property management fees and uncertainty of tenant mobility.

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

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

Policy Risk

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

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

Pandemic Impact

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

Foreign Exchange Risk

On 31 December 2021, HK Dollars and US Dollars denominated cash and cash equivalents held by the Group were approximately HK\$8.8 million and US\$11.3 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 is currently being processed.

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

7 EVENTS AFTER THE REPORTING PERIOD

Arbitration against founders of Lanlanlanlan

On 15 March 2022, the Group filed an arbitration application with the SCIA against the founders of Lanlanlanlan Film & Television, requesting for payment of the equity repurchase amount of RMB141.4 million and penalty interest of RMB59.0 million, in view of the inability of the Founders of Lanlanlanlan to fulfill their obligations in relation to the compensation and the disposal on 24 March 2022. The Court has currently accept the application. As at the date of this announcement, there was no further update on the status of the arbitration.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
REVENUE	5	87,863	91,347
Cost of services provided		<u>(22,148)</u>	<u>(21,093)</u>
Gross profit		65,715	70,254
Other income and gains, net	5	46,465	32,664
Selling and marketing expenses		(3,566)	(4,871)
Administrative expenses		(30,552)	(33,039)
Other expenses, net		(48,283)	(27,447)
Finance costs		(690)	(3,232)
Share of profits and losses of associates, net		<u>30,307</u>	<u>22,401</u>
PROFIT BEFORE TAX	6	59,396	56,730
Income tax expense	7	<u>(3,946)</u>	<u>(8,149)</u>
PROFIT FOR THE YEAR		<u>55,450</u>	<u>48,581</u>
Attributable to:			
Owners of the Company		58,025	50,703
Non-controlling interests		<u>(2,575)</u>	<u>(2,122)</u>
		<u>55,450</u>	<u>48,581</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB per share)		<u>2.15 cents</u>	<u>1.88 cents</u>
Diluted (RMB per share)		<u>2.14 cents</u>	<u>1.88 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	55,450	48,581
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>(6,243)</u>	<u>(20,210)</u>
Other comprehensive income/(loss) will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	(84,070)	1,227
Income tax effect	<u>21,017</u>	<u>(307)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>(63,053)</u>	<u>920</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(69,296)</u>	<u>(19,290)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>(13,846)</u></u>	<u><u>29,291</u></u>
Attributable to:		
Owners of the Company	(11,271)	31,413
Non-controlling interests	<u>(2,575)</u>	<u>(2,122)</u>
	<u><u>(13,846)</u></u>	<u><u>29,291</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		119,548	127,137
Investment properties	<i>10</i>	412,000	422,000
Right-of-use assets		12,538	12,708
Goodwill		9,278	9,278
Intangible assets		1,172	1,901
Investments in associates		299,690	272,761
Financial assets at fair value through profit or loss		101,858	135,930
Financial assets at fair value through other comprehensive income		150,571	234,641
Deferred tax assets		235	609
		<hr/>	<hr/>
Total non-current assets		1,106,890	1,216,965
CURRENT ASSETS			
Inventories		603	–
Trade receivables	<i>11</i>	1,061	4,174
Prepayments, other receivables and other assets		5,086	10,074
Financial assets at fair value through profit or loss		300	39,206
Restricted cash balances and pledged deposits		65	39,920
Cash and cash equivalents		555,390	448,434
		<hr/>	<hr/>
Total current assets		562,505	541,808
CURRENT LIABILITIES			
Trade payables	<i>12</i>	7,754	8,589
Other payables and accruals		51,008	50,555
Interest-bearing bank borrowings		–	46,000
Tax payable		18,351	17,861
Lease liabilities		402	521
		<hr/>	<hr/>
Total current liabilities		77,515	123,526
		<hr/>	<hr/>
NET CURRENT ASSETS		484,990	418,282
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,591,880	1,635,247
		<hr/>	<hr/>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		243	–
Deferred tax liabilities		105,895	137,930
Deferred income		–	600
		<hr/>	<hr/>
Total non-current liabilities		106,138	138,530
		<hr/>	<hr/>
Net assets		1,485,742	1,496,717
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>13</i>	22,870	22,818
Reserves		1,465,258	1,473,774
		<hr/>	<hr/>
		1,488,128	1,496,592
Non-controlling interests		(2,386)	125
		<hr/>	<hr/>
Total equity		1,485,742	1,496,717
		<hr/> <hr/>	<hr/> <hr/>

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**”) 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. The 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 2021. 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

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

- (a) the cultural business segment engages in the provision of (1) music-based entertainment; (2) game-related services; and (3) film and television production in the 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 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

	Cultural Business		Property investment		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	9,753	13,050	78,110	78,297	87,863	91,347
Cost of services provided	(5,585)	(4,293)	(16,563)	(16,800)	(22,148)	(21,093)
Gross profit	<u>4,168</u>	<u>8,757</u>	<u>61,547</u>	<u>61,497</u>	<u>65,715</u>	<u>70,254</u>
Segment results	<u>21,743</u>	<u>12,052</u>	<u>48,480</u>	<u>52,027</u>	<u>70,223</u>	<u>64,079</u>
Reconciliation:						
Bank interest income					10,987	14,224
Finance costs (other than interest on lease liabilities)					(670)	(3,196)
Corporate and other unallocated income and expenses, net					(21,144)	(18,377)
Profit before tax					<u>59,396</u>	<u>56,730</u>
Other segment information						
Depreciation and amortisation						
— operating segments	4,930	5,393	—	—	4,930	5,393
— corporate					4,589	4,485
					<u>9,519</u>	<u>9,878</u>
Capital expenditure*	310	30	—	—	310	30
Fair value losses on investment properties	—	—	10,000	9,000	10,000	9,000
Equity-settled share option expense						
— operating segments	203	975	—	—	203	975
— corporate					1,447	1,540
					<u>1,650</u>	<u>2,515</u>
Share of profits and losses of associates, net	(30,307)	(22,401)	—	—	(30,307)	(22,401)
Impairment losses recognised in the statement of profit or loss, net	3,378	13,256	—	—	3,378	13,256
Investments in associates	<u>299,690</u>	<u>272,761</u>	<u>—</u>	<u>—</u>	<u>299,690</u>	<u>272,761</u>

* 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 2021, the Group had no single external customer which contributed over 10% of the Group's total revenue for the year.

During the year ended 31 December 2020, revenue of approximately RMB9,400,000 was derived from sales to a major customer of the Group which contributed 10% or more of the Group's total revenue for that year.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers		
Game-related revenue	7,580	9,859
Music-based entertainment	2,148	2,401
Film and television production	25	790
Management services	17,635	16,738
	<u>27,388</u>	<u>29,788</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	1,427	1,428
Other lease payments, including fixed payments	59,048	60,131
	<u>60,475</u>	<u>61,559</u>
	<u>87,863</u>	<u>91,347</u>
Other income and gains, net		
Bank interest income	10,987	14,224
Fair value gains on financial assets at fair value through profit or loss	–	3,155
Dividend income from financial assets at fair value through profit or loss	29,763	8,128
Dividend income from a financial asset at fair value through other comprehensive income	3,000	2,807
Government grant*	2,600	1,400
Others	115	2,950
	<u>46,465</u>	<u>32,664</u>

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

6. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	7,874	8,099
Depreciation of right-of-use assets	916	1,050
Amortisation of intangible assets	729	729
Amortisation of network films and dramas	–	457
Impairment of goodwill	–	9,593
Impairment of investment in an associate	3,378	–
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	13,539	17,878
Welfare, medical and other expenses	1,027	1,565
Contributions to social security plans**	2,681	1,218
Equity-settled share award expense	1,650	2,515
	<u>18,897</u>	<u>23,176</u>
Write-off of trade receivables	2	2,929
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	39	(57)
Impairment of network films and dramas under production	–	3,663
Dividend income from a financial asset at fair value through other comprehensive income	(3,000)	(2,807)
Dividend income from financial assets at fair value through profit or loss	(29,763)	(8,128)
Write-off of trade payables	–	(465)
Write-off of other payables	–	(1,345)
Fair value losses on investment properties	10,000	9,000
Fair value losses/(gains) on financial assets at fair value through profit or loss	<u>34,072</u>	<u>(3,155)</u>

** There are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

7. INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — Hong Kong		
Charge for the year	72	113
Current — PRC		
Charge for the year	14,517	9,510
Overprovision in prior years	–	(550)
Deferred	<u>(10,643)</u>	<u>(924)</u>
Total tax charge for the year	<u><u>3,946</u></u>	<u><u>8,149</u></u>

8. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2021 (2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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 2021 and 2020.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 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 as at 31 December 2021 into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020.

	2021 <i>RMB'000</i>	2020 <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	<u><u>58,025</u></u>	<u><u>50,703</u></u>

	‘000	‘000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,701,536	2,694,769
Effect of dilution — weighted average number of ordinary shares:		
Share options	4,601	—
	<u>2,706,137</u>	<u>2,694,769</u>

10. INVESTMENT PROPERTIES

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Carrying amount at 1 January	422,000	431,000
Fair value losses on investment properties	(10,000)	(9,000)
Carrying amount at 31 December	<u>412,000</u>	<u>422,000</u>

The Group’s investment properties were revalued on 31 December 2021 and 2020 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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Trade receivables	1,309	4,459
Impairment	(248)	(285)
	<u>1,061</u>	<u>4,174</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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Billed		
Within 1 month	207	273
1 to 2 months	218	17
2 to 3 months	13	17
Over 3 months	11	236
	449	543
Unbilled	612	3,631
	1,061	4,174

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	35	804
1 to 3 months	86	171
4 to 6 months	35	57
Over 6 months	7,598	7,557
	7,754	8,589

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

As at 31 December 2021, included in the trade payables is an amount due to a joint venture of RMB46,000 (2020: RMB46,000), which was unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

Shares	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised:		
3,000,000,000 (2020: 3,000,000,000) ordinary shares of HK\$0.01 each	26,513	26,513
Issued and fully paid:		
2,707,190,628 (2020: 2,700,886,628) ordinary shares	22,870	22,818

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	2,700,886,628	22,818
Share repurchased (<i>Note (a)</i>)	(6,418,000)	(52)
Share options exercised (<i>Note (b)</i>)	<u>12,722,000</u>	<u>104</u>
At 31 December 2021	<u><u>2,707,190,628</u></u>	<u><u>22,870</u></u>

Notes:

- (a) The Company repurchased 6,418,000 of its shares on the Hong Kong 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.
- (b) 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 HK\$2,786,000, equivalent to RMB2,280,000. An amount of HK\$2,786,000, equivalent to RMB2,280,000 was transferred from employee share-based compensation reserve to issued capital and share premium upon the exercise of the share options.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, the Company repurchased 6,418,000 shares of its own ordinary shares of the Company at the highest and lowest prices of HK\$0.236 and HK\$0.194 per share respectively (“**Shares Repurchase**”), all the repurchased shares were cancelled during the year.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2021.

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 (now rearranged as 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 2021, 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 A.2.1 (now rearranged as C.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 (now rearranged as C.2.1) during the year ended 31 December 2021.

Throughout the year ended 31 December 2021, 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 (now rearranged as 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 2021.

ANNUAL GENERAL MEETING

The annual general meeting (the “AGM”) will be held on Friday, 20 May 2022. The notice of the AGM will be published and dispatched 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, 17 May 2022 to Friday, 20 May 2022, 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, 16 May 2022.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and they reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2021.

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 2021 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 opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary 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 2022

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. Li Feng.*