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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (“**Board**”) of directors (“**Directors**”) of China 33 Media Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited results of the Group for the six months ended 30 June 2017. This announcement, containing the full text of the 2017 interim report of the Company, complies with the relevant requirements of the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By Order of the Board
China 33 Media Group Limited
Ruan Deqing
Chairman and Executive Director

Hong Kong, 10 August 2017

As at the date of this announcement, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Peng Lichun and Mr. Ma Pun Fai; and the independent non-executive Directors are Ms. Tay Sheve Li, Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and the Company’s website at www.china33media.com.



CHINA 33 MEDIA GROUP LIMITED
中國三三傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087

INTERIM REPORT 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report for which the directors (the "Directors") of China 33 Media Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ruan Deqing (*Chairman*)
Mr. Peng Lichun
Mr. Ma Pun Fai

Independent Non-Executive Directors

Ms. Tay Sheve Li
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

LEGAL ADVISERS

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China

AUDITOR

Deloitte Touche Tohmatsu
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Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Siu Shing Tak

COMPANY SECRETARY

Mr. Siu Shing Tak, *HKICPA, AICPA*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

REMUNERATION COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)
Mr. Ruan Deqing
Ms. Yu Shun Yan Verda

NOMINATION COMMITTEE MEMBERS

Ms. Yu Shun Yan Verda (*Chairperson*)
Ms. Tay Sheve Li
Mr. Peng Lichun

REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

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Hong Kong

PRINCIPAL BANKERS

Bank of Communication Co., Ltd. Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
Industrial Bank Co., Ltd.

HONG KONG BRANCH SHARE REGISTRAR

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WEBSITE ADDRESS

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STOCK CODE

8087

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Company and its subsidiaries (collectively, the "Group") during the period under review included printed media advertising, outdoor advertising, film and entertainment investment as well as prepaid card business. The Group's total revenue for the six months ended 30 June 2017 amounted to approximately RMB60,286,000, representing an increase of approximately RMB26,157,000 or 76.6% as compared to approximately RMB34,129,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB4,605,000 or 22.8% to approximately RMB15,631,000 for the six months ended 30 June 2017 from approximately RMB20,236,000 for the corresponding period last year. The gross profit margin for the current period decreased to approximately 25.9% from approximately 59.3% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to owners of the Company for the current period amounted to approximately RMB26,747,000 while it recorded a total comprehensive income attributable to owners of the Company amounted to approximately RMB7,939,000 for the corresponding period last year.

REVIEW BY SEGMENT

Analysis of revenue, segment profit (loss) and segment profit (loss) margin by segment are as follows:

	Revenue			Segment Profit (Loss)			Segment Profit (Loss) Margin	
	Six months ended			Six months ended			Six months ended	
	30 June			30 June			30 June	
	2017	2016	Change %	2017	2016	Change %	2017	2016
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Printed media advertising	21,502	30,203	(28.8)	14,169	18,294	(22.5)	65.9	60.6
Outdoor advertising	3,301	3,926	(15.9)	1,816	1,942	(6.5)	55.0	49.5
Film and entertainment investment	34,404	–	100.0	816	(638)	(227.9)	2.4	(100.0)
Prepaid card	1,079	–	100.0	(8,056)	–	(100.0)	(746.6)	–
Total	60,286	34,129	76.6	8,745	19,598	(55.4)	14.5	57.4

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Printed Media Advertising

Revenue from printed media advertising was one of the main sources of revenue, representing approximately 35.7% of the Group's total revenue for the six months ended 30 June 2017. With establishment of film and entertainment investment and downsizing of the printed media advertising business, it is expected that the significance of printed media advertising income to the Group will drop, but will still remain as one of the principal sources of income in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on all China Railway High-speed ("CRH") trains and selected regular trains in the People's Republic of China (the "PRC"). Revenue from placing advertising on "旅伴" (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 92.1% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB8,701,000 or 28.8% from approximately RMB30,203,000 for the six months ended 30 June 2016 to approximately RMB21,502,000 for the six months ended 30 June 2017. The decrease was mainly due to decrease in number of customers for periodical "旅伴" (Fellow Traveller) and cessation of "都市生活" (City Life) due to high operating cost in second half of 2016.

Segment profit from printed media advertising for the six months ended 30 June 2017 amounted to approximately RMB14,169,000, representing a decrease of approximately 22.5% as compared to the corresponding period last year, which was approximately RMB18,294,000. Segment profit margin of printed media advertising increased slightly from approximately 60.6% for the six months ended 30 June 2016 to approximately 65.9% for the six months ended 30 June 2017. The increase in segment margin was contributed by the change of charging method of agency fee from a fixed amount to a variable costs, upon the expiry of original agency agreements in 2016. This allowed the Group to pay agency fee only when there was advertisement secured by customers.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations and revenue from promotion campaign conducted in some train stations. Revenue from outdoor advertising decreased by approximately RMB625,000 or 15.9% from approximately RMB3,926,000 for the six months ended 30 June 2016 to approximately RMB3,301,000 for the six months ended 30 June 2017. The drop was mainly due decrease in number of customers placing advertising in billboards and LEDs, which was partly offset by the increase in income from station campaigns.

Segment profit from outdoor advertising for the six months ended 30 June 2017 amounted to approximately RMB1,816,000 while it was of approximately RMB1,942,000 for the corresponding period last year. Segment profit margin of outdoor advertising was 55.0% for the six months ended 30 June 2017 as compared to 49.5% for the six months ended 30 June 2016. The slightly improvement in segment result was contributed by more income from station campaign which has high segment profit of over 90%.

Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. This segment contributed first revenue to the Group in the period under review, amount of approximately RMB34,404,000 for the six months ended 30 June 2017, which represents revenue generated from distribution of film rights.

Segment profit from film and entertainment for the six months ended 30 June 2017 amounted to approximately RMB816,000. Segment profit margin of film and entertainment investment was 2.4% for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016, and started generating income from the new business in 2016. Revenue from prepaid card mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service is provided. Revenue from prepaid card started from late 2016, it was approximately RMB1,079,000 for the six months ended 30 June 2017.

Segment profit from prepaid card for the six months ended 30 June 2017 amounted to approximately RMB8,056,000. Segment loss margin was 746.6%. As a start-up business, lots of expenses were incurred on professional team, network system and regulation compliance, resulting a relatively large segment loss.

Cost of Sales

Cost of sales surged significantly from approximately RMB13,893,000 for the six months ended 30 June 2016, to approximately RMB44,655,000 for the current period, representing a significant increase of approximately 221.4%. The jump was mainly contributed by the investment cost of the two movies, which accounts for approximately 73.2% of the cost of sales. Besides investment cost for the movies, cost of sales also consists of agency fee, printing cost and direct labor cost. There is also a decrease in the agency fee paid, with the expiration of agency contracts last year, there is no more fixed amount of agency fee paid to railway bureaus, instead agency fee was only paid when the Group secured customers for the advertisings to be placed on the printed media or outdoor billboards and LEDs.

Other Gains and Losses, Net

Other gains and losses, decreased from a net gain of approximately RMB3,769,000 for the six months ended 30 June 2016, to net loss of approximately RMB10,880,000 in the current period, representing a significant drop of approximately 388.7%. The increase in other losses was mainly contributed by the significant revaluation loss recorded from held for trading investments due to the significant drop in market value.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 37.8% from approximately RMB12,867,000 for the six months ended 30 June 2016, to approximately RMB8,009,000 for the current period, primarily due downsizing of the sales team in the PRC, who are responsible for printed media and outdoor advertising businesses.

Administrative Expenses

Administrative expenses decreased from approximately RMB16,512,000 for the six months ended 30 June 2016, to approximately RMB14,901,000 for the current period, representing a decrease of approximately 9.8%. The decrease in administrative expenses was due to cost control policies applied leading to lower expenses.

Income Tax

There was an income tax expense of approximately RMB15,000 for the six months ended 30 June 2017 as compared to approximately RMB65,000 resulting from loss for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Liquidity and Financial Resources

As at 30 June 2017, the Group's cash and cash equivalents, including bank deposits and cash on hand, and short-term bank deposits with original maturities not exceeding three months, amounted to approximately RMB18,139,000, representing a net decrease of approximately RMB129,824,000 as compared to the position as at 31 December 2016. The significant decrease was mainly due to the investments in movies, film rights and prepayments for film and entertainment business.

As at 30 June 2017, the current ratio was approximately 4.86 (31 December 2016: 11.12) and gearing ratio of the Group was approximately 0.05 (31 December 2016: 0.34) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 2017, the Group has approximately RMB2,783,000 pledged bank deposits to secure banking facilities, denominated in Hong Kong Dollars (as at 31 December 2016: RMB15,375,000).

Restricted cash

As at 30 June 2017, the Group has approximately RMB16,577,000 (31 December 2016: RMB5,616,000) monies received from sale and reloading of prepaid cards maintained in trust account and other segregated bank accounts.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities (as at 31 December 2016: nil).

Commitments

Details of commitments are set out in Note 15 and Note 16 to the condensed consolidated interim financial statements.

Total Comprehensive (Expense) Income Attributable to Owners of the Company and Net Loss Margin

Total comprehensive expense attributable to the owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB26,747,000 as compared to income of approximately RMB7,939,000 in the corresponding period last year. Net loss margin of the Group for the six months ended 30 June 2016 was approximately 12.3% as compared to approximately 28.9% for the corresponding period last year.

Capital Structure

During the period under review, the Group had net assets of approximately RMB488,743,000 (31 December 2016: RMB516,671,000), comprising non-current assets of approximately RMB221,375,000 (31 December 2016: RMB125,427,000), and current assets of approximately RMB303,698,000 (31 December 2016: RMB429,916,000). The Group recorded a net current asset position of approximately RMB267,368,000 (31 December 2016: RMB391,244,000), which primarily consists of film rights amounted to approximately RMB104,112,000 (31 December 2016: RMB104,388,000), prepayment for film and entertainment business amounted to approximately RMB82,443,000 (31 December 2016: RMB84,953,000), cash and bank equivalents, restricted cash and bank deposits amounted to approximately RMB37,499,000 (31 December 2016: RMB168,954,000), prepayments, deposits and other receivables amounted to approximately RMB29,062,000 (31 December 2016: RMB45,421,000), held for trading investments amounted to approximately RMB13,823,000 (31 December 2016: RMB18,589,000) and trade receivables amounted to approximately RMB36,759,000 (31 December 2016: RMB7,611,000). Major current liabilities were trade payables and other payables and accruals amounted to approximately RMB7,420,000 (31 December 2016: RMB13,799,000) and approximately RMB22,325,000 (31 December 2016: RMB24,342,000), respectively, and short-term borrowings of RMB6,039,000 (31 December 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and United States Dollars, plus a pledged bank deposit denominated in Hong Kong Dollars. The Directors consider that the Group's risk in foreign exchange is insignificant. During the period under review, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 30 June 2017, the Group had a total of 158 employees (as at 30 June 2016: 273 employees) situated in the PRC and Hong Kong. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB12,490,000 (six months ended 30 June 2016: RMB16,976,000).

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to Open Offer completed on 8 October 2015, the Company has raised approximately HK\$497 million (RMB415 million), net of commission and related expenses, which are intended to be applied in the following manner:

- (a) approximately HK\$293 million, representing 59% of the net proceeds from the Open Offer will be used for the investments in movie industry through the new subsidiary;
- (b) approximately HK\$154 million, representing approximately 31% of the net proceeds from the Open Offer will be used for the investment opportunities in the movie industry when opportunities arise;
- (c) remaining balance of approximately HK\$50 million, representing 10% of the net proceeds from the Open Offer is for the general working capital for the existing businesses of the Group.

Upon receipt of the proceeds, the actual use of the proceeds as of 30 June 2017 by the Company was as follow:

- (i) approximately HK\$378 million were invested for 19 projects covering films and television drama series through indirectly non-wholly owned subsidiary of the Company;
- (ii) approximately HK\$36 million were invested for 2 projects covering film and television drama series through indirectly wholly owned subsidiary of the Company;
- (iii) approximately HK\$21 million were invested for 2 projects in entertainment industry;
- (iv) approximately HK\$30 million has been used for the general working capital for the existing businesses of the Group;
- (v) the remaining balance of approximately HK\$32 million is receivable from co-investors for the distribution of movie rights.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Prospects

The cultural and media industry throughout the world, and especially in the PRC is presented with a huge opportunity. China has become the world's second largest film market country. With mature online and offline entertainment platforms, PRC's content demand is soaring in a historical rate. In 2016 and 2015, the total box office in PRC is RMB45.7 billions and RMB44 billions respectively. PRC movie attendance reached 1.3 billion in 2016. We are committed to delivering quality entertainment content. We select, evaluate and produce good film and TV projects. We also pursue the opportunity to co-invest in various film projects led by other studios.

In 2016, Hong Kong's economic growth moderated to 1.9% in real terms. The growth of private consumption expenditure slowed to 1.6% (from 4.8% for 2015). However, the alternative payment industry thrived in 2016 and is gaining place in Hong Kong payment market. Apple Pay, Samsung Pay and Android Pay have entered the mobile payment market. WeChat Pay and Alipay are ready to compete and capture the share. On the stored value facilities side, in addition to the local market leaders of HKT and Octopus, other players from Mainland (eg Transforex, ePayLinks) have also entered the market. With the growing number of players in the industry, the Hong Kong Monetary Authority launched the Payment Systems and Stored Value Facilities Ordinance to enforce supervision of the players which could help strengthen public confidence in using SVF products and services as well as facilitate developments and innovations in the local retail payment industry. SVF licence were granted to 13 companies in 2016. The licensees are with diverse backgrounds, including industry giants, mainland companies and local players offering various products, including eWallet, mobile payment and prepaid card.

2016 is a year of fast-growing development for alternative payment methods in Hong Kong. In 2017, players would strive to establish a solid foothold in this highly competitive market. Despite the keen competition, we believe there are opportunities and we will provide products and services with creativity and innovative value to win and gain in the market so as to contribute to the Group's sustainable growth.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the period under review, none of the Directors had material interest, either directly or indirectly, in any transaction, arrangement or contract to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2017, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined under GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company (the "Shares")

Name of director	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation	576,020,000 ordinary Shares (Note 1)	10.00

Notes:

- (1) These Shares were registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which was owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal was owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan was deemed to be interested in all the Shares in which Joint Loyal was interested by virtue of the SFO. Mr. Ruan was the sole director of Joint Loyal.

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2017, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in Shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Lizhong (Note 1)	Beneficial owner	576,020,000	10.00
Broad Win (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	576,020,000	10.00
Joint Loyal (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Liu Sibin (Note 3)	Interest of spouse	576,020,000	10.00
New Express Investment Limited (Note 4)	Beneficial owner	403,622,000	7.01
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	403,622,000	7.01

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

- (1) These Shares are registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong is owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the Shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment is deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors throughout the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. As at 30 June 2017, the Audit Committee comprises Ms. Tay Sheve Li (Chairperson), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, all being independent non-executive directors.

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2017. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
China 33 Media Group Limited
Ruan Deqing
Chairman and Executive Director

Hong Kong, 10 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2017, together with the comparative unaudited figures for the corresponding periods in 2016, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
REVENUE	3, 4	60,286	34,129	48,158	13,887
Cost of sales		(44,655)	(13,893)	(37,872)	(2,534)
Gross profit		15,631	20,236	10,286	11,353
Other income		1,092	804	570	495
Other losses and gains, net	4	(10,880)	3,769	(9,764)	(95)
Selling and distribution expenses		(8,009)	(12,867)	(3,968)	(5,512)
Administrative expenses		(14,901)	(16,512)	(6,448)	(8,851)
Share of results of a joint venture		(56)	(28)	(3)	81
Share of results of associates		—	—	—	31
Finance cost		(286)	—	(286)	—
LOSS BEFORE TAXATION		(17,409)	(4,598)	(9,613)	(2,498)
Income tax (expense) credit	5	(15)	(65)	27	(50)
LOSS FOR THE PERIOD	6	(17,424)	(4,663)	(9,586)	(2,548)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	2016	2017	2016
		(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
OTHER COMPREHENSIVE (EXPENSE)					
INCOME FOR THE PERIOD:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(10,504)	12,150	(6,189)	15,125
TOTAL COMPREHENSIVE (EXPENSE)					
INCOME FOR THE PERIOD		(27,928)	7,487	(15,775)	12,577
Loss for the period attributable to					
Owners of the Company		(16,243)	(4,211)	(8,619)	(2,296)
Non-controlling interests		(1,181)	(452)	(967)	(252)
		(17,424)	(4,663)	(9,586)	(2,548)
Total comprehensive (expense) income attributable to:					
Owners of the Company		(26,747)	7,939	(14,808)	12,829
Non-controlling interests		(1,181)	(452)	(967)	(252)
		(27,928)	7,487	(15,775)	12,577
		RMB cents	RMB cents	RMB cents	RMB cents
BASIC LOSS PER SHARE	8	(0.28)	(0.07)	(0.15)	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9	22,742	25,076
Interest in a joint venture		551	607
Prepayments and deposits		5,248	3,854
Prepayment for film and entertainment business	10	192,834	95,890
		221,375	125,427
Current assets			
Film rights	11	104,112	104,388
Trade receivables	12	36,759	7,611
Prepayments, deposits and other receivables		29,062	45,421
Prepayment for film and entertainment business	10	82,443	84,953
Held for trading investments		13,823	18,589
Pledged bank deposits		2,783	15,375
Restricted cash		16,577	5,616
Cash and cash equivalents		18,139	147,963
		303,698	429,916
Current liabilities			
Trade payables	13	7,420	13,799
Other payables and accruals	13	22,325	24,342
Short-term borrowings		6,039	–
Tax payable		546	531
		36,330	38,672
Net current assets		267,368	391,244
Net assets		488,743	516,671

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Capital and reserves			
Share capital	14	36,721	36,721
Reserves		455,722	482,469
Equity attributable to owners of the Company		492,443	519,190
Non-controlling interests		(3,700)	(2,519)
Total equity		488,743	516,671

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2016 (audited)	36,721	626,521	26,239	13,174	19	(271)	–	(165,106)	537,297	542,944
Loss for the period	–	–	–	–	–	–	–	(4,211)	(4,211)	(4,663)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	12,150	–	–	12,150	12,150
Total comprehensive income (expense) for the period	–	–	–	–	–	12,150	–	(4,211)	7,939	7,487
At 30 June 2016 (unaudited)	36,721	626,521	26,239	13,174	19	11,879	–	(169,317)	545,236	550,431
At 1 January 2017 (audited)	36,721	626,521	26,239	13,174	19	31,651	2,481	(217,616)	519,190	516,671
Loss for the period	–	–	–	–	–	–	–	(16,243)	(16,243)	(17,424)
Other comprehensive expense for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(10,504)	–	–	(10,504)	(10,504)
Total comprehensive expense for the period	–	–	–	–	–	(10,504)	–	(16,243)	(26,747)	(27,928)
At 30 June 2017 (unaudited)	36,721	626,521	26,239	13,174	19	21,147	2,481	(233,859)	492,443	488,743

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(141,918)	(243,630)
Net cash from investing activities	21,138	4,637
Net cash from (used in) financing activities	6,039	(3,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,741)	(241,993)
Cash and cash equivalents at beginning of period	147,963	420,334
Effect of foreign exchange rate changes, net	(15,083)	10,956
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,139	189,297

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Suite 2001, Tower 1, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the provision of advertising services of printed media for railway networks, outdoor advertising spaces on railway stations in the PRC, film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of the Hong Kong Limited (the "GEM Listing Rules"). These consolidated financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the following accounting policy which was adopted during the period ended 30 June 2017.

Revenue from investment of film is recognised when the right to receive payment is established.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments and measurement of segment results based on the internal reports to the executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

- (a) printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;
- (b) outdoor advertising: sale of outdoor advertising spaces, mainly in the form of light boxes, at certain railway stations in the PRC;
- (c) film and entertainment investment: investment for profit sharing on box office of movies and concerts and distribution income of film rights and television drama; and
- (d) prepaid card: transaction fees earned from participating service providers for the use of the prepaid cards by cardholders and other card related fees upon the provision of services.

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2017					
Segment revenue:					
Sales to external customers	21,502	3,301	34,404	1,079	60,286
Segment results	14,169	1,816	816	(8,056)	8,745
<i>Reconciliation:</i>					
Bank interest income					134
Unallocated other income, other gains and losses, net					(9,922)
Share of profits and losses of: A joint venture					(56)
Finance cost					(286)
Corporate and other unallocated expenses					(16,024)
Loss before taxation					(17,409)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2016				
Segment revenue:				
Sales to external customers	30,203	3,926	–	34,129
Segment results	18,294	1,942	(638)	19,598
<i>Reconciliation:</i>				
Bank interest income				530
Unallocated other income, other gains and losses, net				4,043
Share of profits and losses of: A joint venture				(28)
Corporate and other unallocated expenses				(28,741)
Loss before tax				(4,598)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER LOSSES AND GAINS, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax and interest income. An analysis of revenue and other losses and gains, net, are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Printed media advertising income	21,502	30,479	11,674	13,200
Outdoor advertising income	3,301	3,962	1,486	888
Film and entrainment investment income	34,404	–	34,404	–
Prepaid card income	1,079	–	594	–
	60,286	34,441	48,158	14,088
Less: Business tax	–	(312)	–	(201)
Total	60,286	34,129	48,158	13,887
Other losses and gains, net				
Fair value change of held for trading investments	(10,859)	4,089	(10,289)	600
Others	(21)	(320)	525	(695)
Total	(10,880)	3,769	(9,764)	(95)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. INCOME TAX (EXPENSE) CREDIT

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 period (six months ended 30 June 2016: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rate, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Law of the PRC on Enterprise Income Tax, the PRC Enterprise Income tax rate of all the PRC subsidiaries is 25%.

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
PRC Enterprise Income Tax	(15)	(65)	27	(50)

6. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	1,309	879	703	517
Minimum lease payments under operating leases on land and buildings	2,467	3,459	1,024	1,576
Employee benefit expense (including directors' remuneration):				
Wages and salaries	11,394	15,301	5,958	7,721
Pension scheme contributions*	1,096	1,675	534	789
Total employee benefit expense	12,490	16,976	6,492	8,510

* As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June		Three months ended 30 June	
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(16,243)	(4,211)	(8,619)	(2,296)

	Number of shares			
	Six months ended 30 June		Three months ended 30 June	
	2017 '000	2016 '000	2017 '000	2016 '000
Average number of ordinary shares for the purpose of basic loss per share	5,760,000	5,760,000	5,760,000	5,760,000

The computation of basic loss per share does not assume the exercise of the share options because the exercise prices of these options were higher than the average market price of the Company's shares for the six months ended 30 June 2017. No diluted loss per share has been presented for the three months ended 30 June 2016 as there were no dilutive potential ordinary shares outstanding.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Net carrying amount at 1 January	25,076	20,168
Additions	342	7,908
Disposals	(221)	(142)
Depreciation	(1,309)	(3,103)
Effect of foreign currency exchange difference	(1,146)	245
Net carrying amount at the period/year end	22,742	25,076

10. PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Current	82,443	84,953
Non-current	192,834	95,890
	275,277	180,843

Amount represents prepayment for profit sharing rights in films and concerts. The amount for the relevant films or concerts that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS (CONTINUED)

With the fund raising from the Open Offer completed on 8 October 2015, the Group has been actively exploring opportunities for investment in the movie and television dramas industry. As of 30 June 2017, the Group has invested on total of 23 projects, with 2 projects invested in 2015. Projects covers various types of movies and television dramas, including comedy, drama and action, as well as concerts. Investment cost for each project ranges from HK\$8 million to HK\$80 million. As of 30 June 2017, 2 movies completed all production stages and generated revenue from distribution of film rights to the Group. Another 5 movies also completed filming procedures and is in post-production stage, the rest of the movie scripts have been finalized, with casting in progress and will be filmed in both Hong Kong and China. For risk management, 4 movies is confirmed to invest with other investors and the company is actively seeking other co-investing opportunities in the movie projects. All non-completed projects are targeting to start filming in second half year of 2017. In second half year of 2017, some of the concerts which the Group invested will be released, thus revenue will be expected.

11. FILM RIGHTS

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Cost		
At 1 January	104,388	–
Additions	35,571	104,388
Recognised as an expense included in cost of sales	(32,101)	–
Effect of foreign currency exchange difference	(3,746)	–
As at 30 June/31 December	104,112	104,388

As at the end of the reporting period, management of the Group considered the expected future income of the film rights can recover the film costs. Accordingly, no impairment is recognised for the film rights.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE RECEIVABLES

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Trade receivables	65,221	36,073
Less: Accumulated allowances	(28,462)	(28,462)
	36,759	7,611

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days.

As at the end of the reporting period, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised are as follows:

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Within 90 days	32,605	3,846
91-180 days	1,039	1,499
181-365 days	2,312	2,266
Over 1 year	803	–
	36,759	7,611

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

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

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Within 90 days	1,981	5,890
91-180 days	531	1,487
Over 181 days	4,908	6,422
	7,420	13,799

Other payables and accruals

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Receipt in advance from customers (Note)	16,359	16,916
Accrued salaries and staff welfare	1,332	1,453
Other accruals	2,213	3,606
Other tax payable	2,421	2,367
	22,325	24,342

Note: Receipt in advance amounting RMB11,493,000 (31 December 2016: RMB 5,389,000) were payable to external clients in respect of the restricted cash received and held for clients in the course of the conduct of regulated prepaid card activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Number of share	Share Capital RMB'000
Ordinary shares of US\$0.001 each		
Authorised:		
As at 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	40,000,000,000	263,672
Issued and fully paid:		
As at 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	5,760,000,000	36,721

15. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to three years.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Within 1 year	1,445	2,521
After 1 year but within 5 years	1,143	839
	2,588	3,360

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following commitments at the end of the reporting period:

	30 June 2017 (unaudited) RMB'000	31 December 2016 (audited) RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	–	9,044
Production costs for film and entertainment business	78,008	78,008
	78,008	87,052

17. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June 2017 (unaudited) RMB'000		Three months ended 30 June 2017 (unaudited) RMB'000	
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Short term employee benefit	1,773	1,343	887	672
Post employment benefit	31	37	15	18
	1,804	1,380	902	690