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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8087)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

The board (the "**Board**") of directors (the "**Directors**") of China 33 Media Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**"), together with comparative figures for the corresponding period in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	3	**107,546**	57,494
Cost of sales		**(88,672)**	(36,762)
Gross profit		**18,874**	20,732
Other income	5	**491**	1,577
Other gains and losses, net	6	**(7,433)**	(19,191)
Selling and distribution expenses		**(13,421)**	(23,420)
Administrative expenses		**(35,888)**	(39,685)
Share of results of a joint venture		**(258)**	(538)
Finance cost	8	**(413)**	–
Loss before taxation	7	**(38,048)**	(60,525)
Taxation	9	**(133)**	(151)
Loss for the year		**(38,181)**	(60,676)
Other comprehensive (loss)/income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(33,009)**	31,922
Total comprehensive loss for the year		**(71,190)**	(28,754)
Loss for the year attributable to:			
– Owners of the Company		**(36,034)**	(59,583)
– Non-controlling interests		**(2,147)**	(1,093)
		(38,181)	(60,676)

	Notes	2017 RMB'000	2016 RMB'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(69,043)**	(27,661)
Non-controlling interests		**(2,147)**	(1,093)
		(71,190)	(28,754)
		RMB cents	*RMB cents*
Loss per share	*11*		
Basis and diluted		**(0.63)**	(1.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**19,776**	25,076
Interest in a joint venture		**349**	607
Prepayments and deposits	*12*	**4,794**	3,854
Prepayment for film and entertainment business	*13*	**194,341**	95,890
		219,260	125,427
Current assets			
Film rights	*13*	**84,324**	104,388
Trade and bills receivables	*12*	**43,224**	7,611
Prepayments, deposits and other receivables	*12*	**55,255**	45,421
Prepayment for film and entertainment business	*13*	**64,068**	84,953
Held for trading investments		**11,109**	18,589
Pledged bank deposits		**2,682**	15,375
Restricted cash		**22,734**	5,616
Cash and cash equivalents		**18,473**	147,963
		301,869	429,916
Current liabilities			
Trade payables	*14*	**14,318**	13,799
Other payables and accruals	*14*	**56,446**	24,342
Tax payable		**77**	531
		70,841	38,672
Net current assets		**231,028**	391,244
Net assets		**450,288**	516,671
Capital and reserves			
Share capital	*15*	**36,721**	36,721
Reserves		**418,233**	482,469
Equity attributable to owners of the Company		**454,954**	519,190
Non-controlling interests		**(4,666)**	(2,519)
Total equity		**450,288**	516,671

NOTES

Year ended 31 December 2017

1. GENERAL

China 33 Media Group Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 consolidated financial statements are presented in Renminbi ("RMB") which is different from the functional currency of the Company, Hong Kong dollars ("HK$"), as the directors of the Company consider that RMB is the most appropriate presentation currency in view of the convenience of the consolidated financial statements users.

The Company is an investment holding company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Asset for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities are mainly from short-term borrowings. A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the management has already assessed the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and amendments to IFRSs in issue but not yet effective

At the date of this announcement, the following new and revised IFRSs that are relevant to the Group have been issued but are not yet effective. The Group has not early applied these standards and amendments.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC – Int 23	Uncertainty over come Tax Treatments[2]
Amendment to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 "Financial Instruments"

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets and

b) limited amendments to the classification and measurement by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

In 2016, the HKICPA issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

During the year, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15 which is subject to changes arising from a more detailed ongoing analysis. Contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition. The Group also expects a change in presentation to show refund liability separately from the asset recoverable for estimated sales returns.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be spilt into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB4,549,000 as disclosed in note 16. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the consolidated financial statements.

3. REVENUE

	2017	2016
	RMB'000	*RMB'000*
An analysis of the Group's revenue for the year is as follows:		
Printed media advertising income	**41,212**	51,465
Outdoor advertising income	**6,963**	5,166
Film and entertainment investment income	**55,757**	–
Prepaid card income	**3,614**	863
Total	**107,546**	57,494

4. SEGMENT INFORMATION

The Group determines its operating segments and measurement of segment profits 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 advertising spaces on the billboards and LEDs installed at certain train stations and revenue from promotion campaigns conducted in train stations.

(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.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2017

	Printed media advertising *RMB'000*	**Outdoor advertising** *RMB'000*	**Film and entertainment investment** *RMB'000*	**Prepaid card** *RMB'000*	**Consolidated** *RMB'000*
Revenue – external customers	**41,212**	**6,963**	**55,757**	**3,614**	**107,546**
Segment profit/(loss)	**20,391**	**885**	**1,840**	**(16,205)**	**6,911**
Bank interest income					**188**
Unallocated other income, other gains and losses, net					**(9,369)**
Share of results of a joint venture					**(258)**
Share-based payment expenses					**(4,807)**
Corporate and other unallocated expenses					**(30,713)**
Loss before taxation					**(38,048)**

For the year ended 31 December 2016

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Revenue – external customers	51,465	5,166	–	863	57,494
Segment profit/(loss)	19,033	(6,861)	(1,425)	(16,749)	(6,002)
Bank interest income					816
Unallocated other income, other gains and losses, net					(5,126)
Share of results of a joint venture					(538)
Share-based payment expenses					(2,481)
Corporate and other unallocated expenses					(47,194)
Loss before taxation					(60,525)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of bank interest income, certain other income and other gains and losses, net, impairment loss on amount due from a former subsidiary, impairment loss on deposits paid for advertising agency rights and other, loss on disposal of an associate, fair value changes of held for trading investments, loss on disposal of property, plant and equipment, share of results of a joint venture and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses, administrative expenses, share-based payment expenses and other operating expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 31 December 2017

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Segment assets	7,856	9,606	410,810	2,174	430,446
Interest in a joint venture					349
Held for trading investments					11,109
Amount due from a former subsidiary					100
Corporate and other unallocated assets					35,236
Pledged bank deposits					2,682
Restricted cash					22,734
Cash and cash equivalents					18,473
Consolidated assets					521,129
Segment liabilities	9,759	3,554	21,437	18,782	53,532
Corporate and other unallocated liabilities					17,309
Consolidated liabilities					70,841

At 31 December 2016

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Segment assets	10,386	9,399	305,030	1,710	326,525
Interest in a joint venture					607
Held for trading investments					18,589
Amount due from a former subsidiary					4,191
Corporate and other unallocated assets					36,477
Pledged bank deposits					15,375
Restricted cash					5,616
Cash and cash equivalents					147,963
Consolidated assets					555,343
Segment liabilities	13,721	10,246	–	5,886	29,853
Corporate and other unallocated liabilities					8,819
Consolidated liabilities					38,672

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than property, plant and equipment, held for trading investments, amount due from a former subsidiary, interests in a joint venture, certain prepayments, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents; and

- all liabilities are allocated to operating and reportable segments other than certain other payables, amount due to an associate and tax payable.

Other segment information

For the year ended 31 December 2017

	Printed media advertising *RMB'000*	**Outdoor advertising** *RMB'000*	**Film and entertainment investment** *RMB'000*	**Prepaid card** *RMB'000*	**Consolidated** *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Impairment loss on trade and bills receivables	**2,095**	**–**	**–**	**–**	**2,095**
Reversal of impairment loss on trade and bills receivables	**(3,256)**	**(836)**	**–**	**–**	**(4,092)**
Imputed interest income on non-current deposits	**–**	**241**	**–**	**–**	**241**
Advertising agency fee expense	**12,541**	**7,155**	**–**	**–**	**19,696**

For the year ended 31 December 2016

	Printed media advertising *RMB'000*	Outdoor advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment results or segment assets:					
Allowance for bad and doubtful debts, net	4,555	2,228	–	–	6,783
Imputed interest income on non-current deposits	–	479	–	–	479
Impairment loss on deposits paid for advertising agency rights	–	7,000	–	–	7,000
Advertising agency fee expense	12,561	2,942	–	–	15,503

Geographical information

Information about the Group's revenue from external customers presented based on the locations of customers, and information about the Group's non-current assets presented based on the geographical location of the assets and the business carried out by a joint venture are summarised below.

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**41,194**	863	**3,628**	2,935
Overseas	**18,178**	–	**–**	–
The PRC	**48,174**	56,631	**215,632**	122,492
	107,546	57,494	**219,260**	125,427

Note: Non-current assets excluded financial assets.

Information about major customers

For the year ended 31 December 2017, revenue generated from two (2016: Nil) customers of the Group from film and entertainment investment amounting to approximately RMB51,936,000 (2016: Nil) has accounted for over 10% of the Group's total revenue.

Revenue from major customers, amounted to 10% or more of the Group's revenue are set out below:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**33,758**	–
Customer B	**18,178**	–
	51,936	–

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**188**	816
Imputed interest income on non-current deposits	**241**	479
Government grants *(Note)*	**30**	133
Others	**32**	149
	491	1,577

Note: There are no unfulfilled conditions or contingencies relating to the government grants.

6. OTHER GAINS AND LOSSES, NET

	2017	2016
	RMB'000	*RMB'000*
Impairment loss on trade and bills receivables	**2,095**	6,783
Reversal of impairment loss on trade and bills receivables	**(4,092)**	–
Impairment loss on amount due from a former subsidiary	**–**	1,434
Impairment loss on deposits paid for advertising agency rights and other	**–**	12,399
Loss on disposal of an associate	**–**	241
Loss on disposal of property, plant and equipment	**364**	39
Net exchange (gain)/loss	**(17)**	463
Fair value change of held for trading investments	**9,231**	(391)
Others	**(148)**	(1,777)
	7,433	19,191

7. LOSS BEFORE TAXATION

	2017 *RMB'000*	2016 *RMB'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**736**	1,195
Depreciation of property, plant and equipment	**3,458**	3,103
Advertising agency fees for printed media and outdoor advertising (included in cost of sales)	**19,696**	15,503
Minimum lease payments under operating leases on buildings	**4,468**	6,722
Employee benefit expense (including directors' emoluments):		
Salaries, bonuses and other benefits	**21,670**	28,967
Contributions to retirement benefits schemes	**2,043**	3,019
Total employee benefit expenses	**23,713**	31,986

8. FINANCE COST

	2017 *RMB'000*	2016 *RMB'000*
Interest expenses on short-term borrowings	**413**	–
	413	–

9. TAXATION

	2017 *RMB'000*	2016 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	**133**	–
Under provision in prior years	**–**	151
	133	151

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit in Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

10. DIVIDENDS

No dividends were paid, declared or proposed for both years.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: nil).

11. LOSS PER SHARE

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

	2017	2016
	RMB'000	*RMB'000*
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(36,034)**	(59,583)

	Number of shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,760,000**	5,760,000

The calculation of the diluted loss per share for both years did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

12. TRADE AND BILLS RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Trade and bills receivables

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**69,689**	36,073
Less: Accumulated allowances	**(26,465)**	(28,462)
	43,224	7,611

The Group's credit terms with its customers generally range from 30 days to 180 days. The Group seeks to apply strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing. 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, and aged analysis of bills receivable presented based on the date of issuance of bills, are as follows:

	2017	2016
	RMB'000	*RMB'000*
Trade receivables:		
Within 90 days	**12,052**	3,846
91 – 180 days	**30,577**	1,499
181 – 365 days	**325**	2,266
Over 1 year	**–**	–
	42,954	7,611
Bills receivables:		
Within 90 days	**270**	–
	43,224	7,611

The movements in the allowance for bad and doubtful debts are as follows:

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**28,462**	21,891
Impairment losses recognised	**2,095**	6,783
Amounts written off as uncollectible	**–**	(212)
Impairment losses reversed	**(4,092)**	–
At the end of the year	**26,465**	28,462

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB32,467,000 (2016: RMB5,758,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because they were either subsequently settled as at the date of issuance of these consolidated financial statements or there was continuous settlement by the respective customers. The Group does not hold any collateral over these balances.

The aged analysis of the trade receivables that are past due but not impaired:

	2017 RMB'000	2016 RMB'000
Within 90 days	**1,565**	2,031
91 – 180 days	**30,577**	1,487
181 – 365 days	**325**	2,240
Over 1 year	**–**	–
	32,467	5,758

Prepayments, deposits and other receivables

	2017 RMB'000	2016 RMB'000
Current:		
Other receivables, deposits and prepayments	**9,557**	9,711
Amount due from a former subsidiary	**100**	4,143
Prepayments for agency fees for printed media and outdoor advertising	**4,690**	3,645
Prepayment for consultancy fee for film and entertainment business	**1,668**	1,800
Refundable deposits	**9,226**	9,024
Refundable deposits for termination of film investments	**30,014**	17,098
	55,255	45,421
Non-current:		
Other deposits and prepayments	**1,680**	246
Refundable deposits	**2,878**	3,372
Deposits paid for acquisition of property, plant and equipment	**236**	236
	4,794	3,854
	60,049	49,275

13. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

Film rights

	RMB'000
COST	
At 1 January 2016 and 31 December 2016	**104,388**
Additions	**35,490**
Recognised as an expense included in cost of sales	**(48,421)**
Effect of foreign currency exchange difference	**(7,133)**
At 31 December 2017	**84,324**

As at 31 December 2017, 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.

Prepayment for film and entertainment business

	2017 ***RMB'000***	2016 *RMB'000*
Current	**64,068**	84,953
Non-current	**194,341**	95,890
	258,409	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.

14. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

The normal credit period on trade payables is generally ranged from 30 days to 180 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**4,136**	5,890
91 – 180 days	**416**	1,487
Over 180 days	**9,766**	6,422
	14,318	13,799

Other payables and accruals

	2017	2016
	RMB'000	*RMB'000*
Receipts in advance from customers	**41,769**	16,916
Accrued salaries and staff welfare	**694**	1,453
Other accruals	**11,662**	3,606
Other tax payable	**2,321**	2,367
	56,446	24,342

15. SHARE CAPITAL

	Number of shares	Share capital *US$'000*	Shown in the consolidated financial statements as *RMB'000*
Ordinary shares of US$0.001 each			
Authorised:			
At 1 January 2016, 31 December 2016 and 31 December 2017	40,000,000,000	40,000	N/A
Issued and fully paid:			
At 1 January 2016, 31 December 2016 and 31 December 2017	5,760,000,000	5,760	36,721

16. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**3,090**	2,521
In the second to fifth year inclusive	**1,459**	839
	4,549	3,360

Leases are negotiated for terms of one to two years (2016: one to two years).

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following commitments at the end of the reporting period:

	2017 ***RMB'000***	2016 *RMB'000*
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	**6,166**	9,044
Production costs for film and entertainment investment	**33,587**	78,008
	39,753	87,052

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the Year amounted to approximately RMB107,546,000, representing an increase of approximately RMB50,052,000 or 87.1% as compared to that of approximately RMB57,494,000 for last year. The Group recorded a total comprehensive loss attributable to owners of the Company for the Year of approximately RMB69,043,000, representing an increase of approximately 149.6% as compared to that of approximately RMB27,661,000 for last year.

REVENUE BY SEGMENT

Analysis of revenue by segment is as follows:

	2017	2016		**2017**	2016
	RMB'000	*RMB'000*	**Change (%)**	**% of total revenue**	
Printed media advertising	41,212	51,465	(19.9)	38.3	89.5
Outdoor advertising	6,963	5,166	34.8	6.5	9.0
Film and entertainment investment	55,757	–	100.0	51.8	–
Prepaid card	3,614	863	318.8	3.4	1.5
	107,546	57,494	87.1	100.0	100.0

Printed Media Advertising

Revenue from printed media advertising was one of the main source of revenue for the Year, representing approximately 38.3% thereof. 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 near 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 China Railway High-speed ("CRH") trains and selected regular trains in the PRC. Revenue from placing advertising on "旅伴" (Fellow Traveller) was the major source of revenue for the year under review which contributed approximately 91.5% of the Group's total revenue from printed media advertising.

Revenue from printed media advertising decreased by approximately RMB10,253,000 or 19.9% from approximately RMB51,465,000 for the year ended 31 December 2016 to approximately RMB41,212,000 for the year ended 31 December 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.

Outdoor Advertising

Revenue from outdoor advertising represented the advertising income generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations and revenue from promotion campaigns conducted in some train stations. Revenue was recognised when advertising were published or station campaigns were launched.

Revenue from outdoor advertising increased by approximately RMB1,797,000 or 34.8% from approximately RMB5,166,000 last year to approximately RMB6,963,000 for the Year. The increase was mainly due to increased station campaigns when compared to last year.

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. Revenue from the distribution of film rights and entertainment was recognised when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured. This segment contributed first revenue to the Group in second quarter of 2017. Revenue from film and entertainment investment became the main source of income for the Group, representing approximately 51.8% thereof. This segment would remain as the dominate income for the Group in future. Revenue from film and entertainment investment was approximately RMB55,757,000 for the Year.

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 represents the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided. Revenue from prepaid card started from late 2016, therefore there was a significant jump for the Year from approximately RMB863,000 to approximately RMB3,614,000, representing an increase of 318.8%. This was due to number of prepaid card sold increased by around 140% and amount of prepaid card sold increased by over 270% in 2017 when compared with that of last year.

SEGMENT RESULTS AND PROFIT/(LOSS) MARGIN OF SEGMENT

Analysis of segment results is as follows:

	Revenue		**Cost**		**Segment results**		**Change**	
	2017	2016	**2017**	2016	**2017**	2016		
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*%*
Printed media advertising	**41,212**	51,465	**20,821**	32,432	**20,391**	19,033	**1,358**	7.1
Outdoor advertising	**6,963**	5,166	**6,078**	12,027	**885**	(6,861)	**7,746**	112.9
Film and entertainment investment	**55,757**	–	**53,917**	1,425	**1,840**	(1,425)	**3,265**	229.1
Prepaid card	**3,614**	863	**19,819**	17,612	**(16,205)**	(16,749)	**544**	(3.2)
	107,546	57,494	**100,635**	63,496	**6,911**	(6,002)	**12,913**	215.1

During the Year, the segment results of printed media advertising recorded a segment profit of approximately RMB20,391,000, representing a slight increase of approximately 7.1% as compared to that of approximately RMB19,033,000 for last year. The increase in segment profit was due to change in cost structure that agency fee becomes a variable costs instead of fixed cost 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. Segment results of outdoor advertising recorded a segment profit of approximately RMB885,000 for the Year, while it was loss of approximately RMB6,861,000 for last year. The significant improvement in segment result was due to reduction in fixed agency fee cost as mention and higher revenue generated from outdoor campaigns which has minimal cost.

By late 2015, the Group started engaging in a new operating segment, film and entertainment investment, which brought revenue to the Group from 2017. The segment profit of film and entertainment was approximately RMB1,840,000 for the Year. By late 2016, the Group obtained SVF License, and started generating income from prepaid card. In 2017, more revenue from prepaid cards was generated, however, with launch of UnionPay prepaid card on top of Mastercard prepaid card in 2017, there was additional investment on the system development, thus the segment loss remains similar as last year, with amount of approximately RMB16,205,000 for the Year.

In overall, there was an increase in the segment results of approximately RMB12,913,000 to profit of RMB6,911,000, representing an increase of approximately 215.1% from loss of approximately RMB6,002,000 as compared to that of last year mainly contributed by improved segment result of outdoor advertising and film and entertainment investment.

Analysis of profit/(loss) margin of segment is as follows:

	Profit/(loss) margin of segment	
	2017	2016
	%	*%*
Printed media advertising	**49.5**	37.0
Outdoor advertising	**12.7**	(132.8)
Film and entertainment investment	**3.3**	(100.0)
Prepaid card	**(448.4)**	(1,940.8)
Profit/(loss) margin of all segments	**6.4**	(10.4)

Profit margin of printed media advertising segment has increased from approximately 37.0% for last year to approximately 49.5% for the Year due to less fixed agency fee cost incurred.

Margin of outdoor advertising segment increased from loss margin of approximately 132.8% last year to profit margin of approximately 12.7% for the Year. The significant improvement in margin was due to reduced fixed agency fee and the increase in revenue from station campaigns which has a margin over 90%.

The segment on film and entertainment investment was new in the Year, it has a profit margin of approximately 3.3%, due to the high investment cost involved in the film production.

Loss margin for prepaid card decreased from approximately 1940.8% for the last year to approximately 448.4% for the Year. The reason for the loss margin was due to significant investment in system development and high operating cost. However with the launch of the UnionPay prepaid card in 2017 which has significantly lower operating cost, we expect prepaid card's margin will be further improved next year.

The overall margin as a whole increased from loss margin of approximately 10.4% for last year to profit margin of approximately 6.4% for the Year. With change in cost structure from fixed agency cost to variable cost for advertising segments, revenue generated from film and entertainment investment and prepaid card segments in 2017, there was an improvement on margin for all segments.

Other Income

There was other income of approximately RMB491,000, compared to last year of RMB1,577,000. The decrease was due to drop in bank interest income as a result of less bank balance placed as time deposit and lower time deposit interest rate.

Cost of Sales

Cost of sales mainly consists of production cost for film and entertainment projects agency fee, printing cost for magazines, system cost for prepaid card networks and direct labor cost. Cost of sales jumped from approximately RMB36,762,000 for last year to RMB88,672,000 for the Year, representing a jump of approximately 141.2%. The sharp increase was mainly contributed by the production costs of film and entertainment projects recognized in the Year.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salaries, bonuses, commissions to sales staff and travelling and related expenses. It accounted for approximately 40.7% and 12.5% of the Group's total revenue for the years ended 31 December 2016 and 2017, respectively. The amount decreased by approximately 42.7% from approximately RMB23,420,000 for last year to approximately RMB13,421,000 for the Year. The significant drop was due to reduction in sales staff by over 50% due to downsizing of advertising segments, plus reduction in sales, so there was decrease in both salary and sales commission. While there was no sales commission for the film and entertainment investment, so the percentage of selling and distribution expenses to total revenue dropped significantly when compared with last year.

Administrative Expenses

Administrative expenses mainly consists of salaries, rental expense and legal and professional fees. Administrative expenses decreased by approximately 9.6% from approximately RMB39,685,000 for the last year to approximately RMB35,888,000 for the Year. The decrease in administrative expenses was due to downsizing of advertising business, hence reduction in salary and rental expenses, which was offset by the increase in share-based payment expenses for 576,000,000 share options granted.

Other Gains and Losses

Other losses decreased by 61.3% from approximately of RMB19,191,000 to approximately RMB7,433,000, The sharp decrease was mainly contributed by reduction in impairment loss on trade and other receivables.

Income Tax Expense

The income tax expense of the Group for the Year was approximately RMB133,000 (2016: RMB151,000) at the effective tax rate of 0.3% (2016: 0.2%).

Liquidity and Financial Resources

As at 31 December 2017, the Group's cash and cash equivalents, including bank balances and cash on hand, and short-term bank deposits with original maturities of more than three months, amounted to approximately RMB18,473,000 representing a decrease of approximately RMB129,490,000, as compared to the position as at 31 December 2016 amount of approximately RMB147,963,000. The significant decrease was mainly due to the investments in movies.

As at 31 December 2017 the current ratio was approximately 4.26 (2016: 11.12) and the gearing ratio of the Group was approximately 0.06 (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 and from the funds raised in October 2015 in connection with the open offer of 5,040,000,000 new shares issued by the Company at a subscription price of HK$0.1 per new share on the basis of seven new shares for every existing shares.

Pledge of Assets

As at 31 December 2017, the Group has approximately RMB2,682,000 (2016: RMB15,375,000) pledged bank deposits to secure a banking facility, denominated in HKD.

Restricted cash

As at 31 December 2017, the Group has approximately RMB22,734,000 (2016: 5,616,000) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts.

Contingent Liabilities

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

Capital Commitments

As at 31 December 2017, the Group did not have any significant capital commitments (2016: Nil).

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

Total comprehensive loss attributable to the owners of the Company for the Year amounted to approximately RMB69,043,000, representing an increase of approximately 149.6%, as compared to approximately RMB27,661,000 for last year. Net loss margin of the Group was approximately 35.5% as compared to approximately 105.5% for last year.

Capital Structure

During the Year, the Group had net assets of approximately RMB450,288,000 (2016: RMB516,671,000), comprising non-current assets of approximately RMB219,260,000 (2016: RMB125,427,000), and current assets of approximately RMB301,869,000 (2016: RMB429,916,000). The Group recorded a net current asset position of approximately RMB231,028,000 (2016: RMB391,244,000), which primarily consists of film rights amounted to approximately RMB84,324,000 (2016: RMB104,388,000), prepayment for film and entertainment business amounted to approximately RMB64,068,000 (2016: RMB84,953,000), cash and bank equivalents, restricted cash and bank deposits amounted to approximately RMB43,889,000 (2016: RMB168,954,000), prepayments, deposits and other receivables amounted to approximately RMB55,255,000 (2016: RMB45,421,000), held for trading investments amounted to approximately RMB11,109,000 (2016: RMB18,589,000) and trade and bills receivables amounted to approximately RMB43,224,000 (2016: RMB7,611,000). Major current liabilities were trade payables and other payables and accruals amounted to approximately RMB14,318,000 (2016: RMB13,799,000) and approximately RMB56,446,000 (2016: RMB24,342,000), respectively. The Group has no bank borrowings.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi for advertising business, while film and entertainment investment and prepaid card business were mainly settled in Hong Kong Dollars. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant. During the Year, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 31 December 2017, the Group employed a total of 100 employees (2016: 181 employees) situated in the PRC and Hong Kong. Such decrease was primarily attributable to the reduction in the number of staff in each subsidiaries as a result of cost control and down sizing of printed media business since 2016. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB23,713,000 (2016: RMB31,986,000).

Material Acquisition and Disposal

The Group had no material acquisition or disposal of subsidiaries and associated companies during the Year.

CORPORATE GOVERNANCE PRACTICES

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply, to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"). The Directors consider that the Company has complied with the Code during the year ended 31 December 2017. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders of the Company and investors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors 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 of 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 the directors during the year ended 31 December 2017.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF THE REGISTER OF MEMBER

The register of members of the Company will be closed from 14 May 2018 to 17 May 2018, both dates inclusive, during which period no transfer of shares (the "Shares") of the Company could be registered for determination of entitlement of shareholders of the Company to the attendance at the forthcoming annual general meeting of the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and 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; to assess the internal control of the Company; and to perform the corporate governance functions under Paragraph D.3.1 of the Code.

As at 31 December 2017, the Audit Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu. During the year ended 31 December 2017, the Audit Committee had held five meetings to review the final results of the Group for 2016, the 2016 annual report of the Company, the 2017 interim results and report of the Company and the quarterly results and report for the periods ended 31 March 2017 and 30 September 2017, the Group's internal controls for the year and corporate governance of the Group, as well as to appoint HLB Hodgson Impey Cheng Limited as auditor of the Group. The Group's final results for the year ended 31 December 2017 had been reviewed by the Audit Committee before submission to the Board for approval. 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 disclosure have been made.

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

Hong Kong, 26 March 2018

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 GEM 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.