



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**  
**2020**

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*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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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

## UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2020, together with the comparative unaudited figures for the corresponding periods in 2019, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
REVENUE	4	50,143	28,309	27,700	17,192
Cost of sales		(40,871)	(25,127)	(21,127)	(15,036)
Gross profit		9,272	3,182	6,573	2,156
Other income		1,491	689	769	405
Other losses and gains, net	5	(763)	1,421	(931)	1,498
Selling and distribution expenses		(5,266)	(3,454)	(3,758)	(1,530)
Administrative expenses		(31,197)	(9,245)	(26,500)	(4,395)
Share of results of a joint venture		–	(15)	–	(15)
Finance cost	6	(45)	(39)	(20)	(39)
LOSS BEFORE TAXATION		(26,508)	(7,461)	(23,867)	(1,920)
Income tax expense	7	(28)	–	(19)	–
LOSS FOR THE PERIOD	8	(26,536)	(7,461)	(23,886)	(1,920)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June		Three months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		2,286	4,253	(1,485)	12,661
Exchange reserve released upon on disposal of subsidiary		3,640	–	3,640	–
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(20,610)	(3,208)	(21,731)	10,741
(LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(26,432)	(7,610)	(23,846)	(2,070)
Non-controlling interests		(104)	149	(40)	150
		(26,536)	(7,461)	(23,886)	(1,920)
TOTAL COMPREHENSIVE (EXPENSE) INCOME ATTRIBUTABLE TO:					
Owners of the Company		(20,506)	(3,357)	(21,691)	10,591
Non-controlling interests		(104)	149	(40)	150
		(20,610)	(3,208)	(21,731)	10,741
		RMB cents	RMB cents (Restated)	RMB cents	RMB cents (Restated)
BASIC AND DILUTED LOSS PER SHARE	10	(4.59)	(1.32)	(4.14)	(0.36)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	7,026	8,581
Right-of-use assets		1,150	1,893
Prepayments and deposits		3,164	2,412
Prepayment for film and entertainment business	12	79,781	78,352
		<b>91,121</b>	91,238
<b>Current assets</b>			
Film rights	13	91,509	93,012
Trade receivables	14	78,863	75,767
Prepayments, deposits and other receivables		13,801	23,828
Prepayment for film and entertainment business	12	109,018	110,513
Financial assets at fair value through profit or loss		1,676	2,348
Pledged bank deposits		3,077	2,968
Restricted cash		101,189	86,153
Cash and cash equivalents		11,620	18,573
		<b>410,753</b>	413,162
<b>Current liabilities</b>			
Trade payables	15	21,115	22,090
Other payables and accruals	15	122,072	109,132
Contract liabilities		1,631	8,311
Lease liabilities		1,168	1,510
Tax payable		287	259
		<b>146,273</b>	141,302
<b>Net current assets</b>		<b>264,480</b>	271,860
<b>Total assets less current liabilities</b>		<b>355,601</b>	363,098

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
<b>Non-current liabilities</b>			
Lease liabilities		–	387
		–	387
<b>Net assets</b>		<b>355,601</b>	<b>362,711</b>
<b>Capital and reserves</b>			
Share capital	16	36,721	36,721
Reserves		322,171	342,677
<b>Equity attributable to owners of the Company</b>		<b>358,892</b>	<b>379,398</b>
<b>Non-controlling interests</b>		<b>(3,291)</b>	<b>(16,687)</b>
<b>Total equity</b>		<b>355,601</b>	<b>362,711</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Share option reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	36,721	626,521	26,239	13,174	19	19,348	4,807	(286,913)	439,916	(8,175)	431,741
(Loss) profit for the period	-	-	-	-	-	-	-	(7,610)	(7,610)	149	(7,461)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	4,253	-	-	4,253	-	4,253
Total comprehensive (expense) income for the period	-	-	-	-	-	4,253	-	(7,610)	(3,357)	149	(3,208)
<b>At 30 June 2019 (unaudited)</b>	<b>36,721</b>	<b>626,521</b>	<b>26,239</b>	<b>13,174</b>	<b>19</b>	<b>23,601</b>	<b>4,807</b>	<b>(294,523)</b>	<b>436,559</b>	<b>(8,026)</b>	<b>428,533</b>
At 1 January 2020 (audited)	36,721	626,521	26,239	13,174	19	34,188	4,610	(362,074)	379,398	(16,687)	362,711
(Loss) profit for the period	-	-	-	-	-	-	-	(26,432)	(26,432)	(104)	(26,536)
Other comprehensive income for the period:											
Exchange reserve released upon disposal of subsidiary	-	-	-	-	-	3,640	-	-	3,640	-	3,640
Exchange differences on translation of foreign operations	-	-	-	-	-	2,286	-	-	2,286	-	2,286
Total comprehensive (expense) income for the period	-	-	-	-	-	5,926	-	(26,432)	(20,506)	(104)	(20,610)
Released upon disposal of subsidiary	-	-	-	-	-	-	-	-	-	13,500	13,500
<b>At 30 June 2020 (unaudited)</b>	<b>36,721</b>	<b>626,521</b>	<b>26,239</b>	<b>13,174</b>	<b>19</b>	<b>40,114</b>	<b>4,610</b>	<b>(388,506)</b>	<b>358,892</b>	<b>(3,291)</b>	<b>355,601</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Net cash used in operating activities	(9,611)	(8,987)
Net cash from investing activities	1,358	1,204
Net cash used in financing activities	(774)	–
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,027)</b>	<b>(7,783)</b>
Cash and cash equivalents at beginning of period	18,573	30,750
Effect of foreign exchange rate changes, net	2,074	4,038
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>11,620</b>	<b>27,005</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

China 33 Media Group Limited (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is Lizhong Limited incorporated in the Cayman Islands, and its ultimate parents are Joint Loyal Limited and Broad Win Limited incorporated in British Virgin Islands. Its ultimate controlling parties are Mr. Ruan Deqing (“Mr. Ruan”) and Mr. Lin Pintong (“Mr. Lin”). Mr. Ruan is also the Chairman and Executive Director of the Company. The addresses of the registered office 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 head office of the Company in the PRC is Unit 410-412, 4/F., One Indigo, 20 Jiuxianqiao Road, Chaoyang District, Beijing, China.

The Company’s functional currency is Hong Kong dollars (“HK\$”). However, the consolidated financial statements are presented in Renminbi (“RMB”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the Group’s transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated of financial statements are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

The principal activity of the Company is investment holding. During the six months ended 30 June 2020, the Group was principally engaged in the provision of outdoor and digital advertising services, film and entertainment investment, prepaid card business and provision of printed media advertising services.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate. They are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those applied in the Group’s audited consolidated financial statements for the year ended 31 December 2019.

The condensed consolidated financial statements have not been audited by the auditors of the Company but have been reviewed by the audit committee (the “Audit Committee”) of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. APPLICATION OF NEW AND REVISED IFRS

In the current period, the Group has applied the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020. The application of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The Directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

## 4. REVENUE AND OPERATING SEGMENT INFORMATION

	Six months ended 30 June		Three months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follows:				
Printed media advertising income	208	643	96	355
Outdoor and digital advertising income	36,503	13,417	18,742	12,346
Film and entrainment investment income	3,639	7,619	3,639	1,628
Prepaid card income	9,793	6,630	5,223	2,863
Total	50,143	28,309	27,700	17,192

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 and digital advertising: income generated from online advertising through mobile applications and websites, etc. As well as sale of advertising spaces on the billboards and LEDs installed at certain railway stations, 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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

	Printed media advertising (unaudited) RMB'000	Outdoor and digital advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
<b>For the six months ended 30 June 2020</b>					
<b>Segment revenue:</b>					
Sales to external customers	208	36,503	3,639	9,793	50,143
Timing of revenue recognition					
At a point in time	–	–	3,639	9,793	13,432
Over time	208	36,503	–	–	36,711
	208	36,503	3,639	9,793	50,143
<b>Segment results</b>	<b>(835)</b>	<b>2,590</b>	<b>(3,815)</b>	<b>333</b>	<b>(1,727)</b>
<i>Reconciliation:</i>					
Bank interest income					841
Unallocated other income, other gains and losses, net					(113)
Finance cost					(45)
Corporate and other unallocated expenses					(25,464)
Loss before taxation					(26,508)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entrainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
<b>For the six months ended</b>					
<b>30 June 2019</b>					
<b>Segment revenue:</b>					
Sales to external customers	643	13,417	7,619	6,630	28,309
Timing of revenue recognition					
At a point in time	–	–	7,619	6,630	14,249
Over time	643	13,417	–	–	14,060
	643	13,417	7,619	6,630	28,309
<b>Segment results</b>	(716)	1,467	416	(3,796)	(2,629)
<i>Reconciliation:</i>					
Bank interest income					194
Unallocated other income, other gains and losses, net					1,916
Share of profits and losses of: A joint venture					(15)
Corporate and other unallocated expenses					(6,927)
Loss before taxation					(7,461)

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 5. OTHER LOSSES AND GAINS, NET

	Six months ended 30 June		Three months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Fair value change of financial assets at fair value through profit or loss	(716)	(835)	(952)	(1,039)
Others	(47)	2,256	21	2,537
<b>Total</b>	<b>(763)</b>	<b>1,421</b>	<b>(931)</b>	<b>1,498</b>

## 6. FINANCE COST

	Six months ended 30 June		Three months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Interest on lease liabilities	45	39	20	39

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is made in the financial statements in respect of the profit for the year as the Company has sufficient tax losses brought forward available to offset the current period's estimated assessable profits (2019: Nil)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

	Six months ended 30 June		Three months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Current tax				
PRC Enterprise Income Tax	28	–	19	–

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. 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	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Depreciation	1,066	1,559	512	966
Depreciation on right of use assets	778	1,555	387	1,555
Payment to short-term lease	75	–	45	–
Employee benefit expense (including directors' remuneration):				
Wages and salaries	4,496	4,052	2,326	2,190
Pension scheme contributions*	415	364	210	191
<b>Total employee benefit expense</b>	<b>4,911</b>	<b>4,416</b>	<b>2,536</b>	<b>2,381</b>

\* 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.

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 10. LOSS PER SHARE

The calculation of the basic and diluted 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	
	2020	2019	2020	2019
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(26,432)	(7,610)	(23,846)	(2,070)

	Number of shares			
	Six months ended 30 June		Three months ended 30 June	
	2020	2019	2020	2019
	'000	'000	'000	'000
		(restated)		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	576,000	576,000	576,000	576,000

The weighted average number of ordinary shares during the three months and six months ended 30 June 2019 has been adjusted for the share consolidation that became effective on 10 June 2020.

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Net carrying amount at 1 January	8,581	14,323
Additions	917	8
Acquisition of a subsidiary	–	59
Disposals/written off	(1,434)	(3,360)
Depreciation	(1,066)	(2,482)
Effect of foreign currency exchange difference	28	33
Net carrying amount at the period/year end	7,026	8,581

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12. PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Current	109,018	110,513
Non-current	79,781	78,352
	<b>188,799</b>	188,865

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.

## 13. FILM RIGHTS

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Cost		
At 1 January	93,012	112,442
Additions	–	15,825
Recognised as an expense included in cost of sales	(3,308)	(17,123)
Provision of film rights (Note)	–	(19,888)
Effect of foreign currency exchange difference	1,805	1,756
As at 30 June/31 December	<b>91,509</b>	93,012

Note: The provision for film rights was mainly due to an entertainment show which cannot obtain the broadcasting permit in the PRC.

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

## 14. TRADE RECEIVABLES

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Trade receivables	121,774	118,304
Less: Allowance for expected credit losses	(42,911)	(42,537)
	<b>78,863</b>	75,767

The Group's credit terms with its customers generally range from 30 days to 365 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.

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 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Trade receivables:		
Within 90 days	11,526	25,739
91-180 days	5,230	4,853
181-365 days	24,561	7,429
Over 1 year	37,546	37,746
	<b>78,863</b>	75,767

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 15. 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 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Within 90 days	4,964	15,800
91-180 days	2,890	128
Over 181 days	13,261	6,162
	<b>21,115</b>	<b>22,090</b>

### Other payables and accruals

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Other payables (Note)	80,444	67,467
Accrued salaries and staff welfare	426	559
Other accruals	38,925	38,829
Other tax payable	2,277	2,277
	<b>122,072</b>	<b>109,132</b>

Note: Other payables amounting RMB80,444,000 (2019: RMB67,467,000) was related to restricted cash received from prepaid card holders and held for whom in the course of the conduct of regulated 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

## 16. SHARE CAPITAL

	Number of share	Share Capital US\$'000	Share Capital RMB'000
Authorised:			
Ordinary shares of US\$0.001 each as at 1 January 2019, 30 June 2019, 1 January 2020	40,000,000,000	40,000	N/A
Share consolidation (note)	(36,000,000,000)	–	–
Ordinary shares of US\$0.01 each as at 30 June 2020	4,000,000,000	40,000	N/A
Issued and fully paid:			
Ordinary shares of US\$0.001 each as at 1 January 2019, 30 June 2019, 1 January 2020	5,760,000,000	5,760	36,721
Share consolidation (note)	(5,184,000,000)	–	–
Ordinary shares of US\$0.01 each as at 30 June 2020	576,000,000	5,760	36,721

Note: The share consolidation of every ten issued and unissued shares of US\$0.001 each be consolidated into one consolidated share of US\$0.01 each was approved at the extraordinary general meeting of the Company held on 8 June 2020 and became effective on 10 June 2020.

## 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		Three months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Short term employee benefit	1,123	1,498	562	749
Post employment benefit	35	54	18	27
	<b>1,158</b>	1,552	<b>580</b>	776

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

## BUSINESS AND FINANCIAL REVIEW

The principal business of the Group during the period under review included outdoor and digital advertising, film and entertainment investment, prepaid card business and printed media advertising. The Group's total revenue for the six months ended 30 June 2020 amounted to approximately RMB50,143,000, representing an increase of approximately RMB21,834,000 or 77.1% as compared to approximately RMB28,309,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB6,090,000 or 191.4% to approximately RMB9,272,000 for the six months ended 30 June 2020 from approximately RMB3,182,000 for the corresponding period last year. The gross profit margin for the current period increased to approximately 18.5% from approximately 11.2% 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 RMB20,506,000 from approximately RMB3,357,000 for the corresponding period last year, increased by approximately 17,149,000 or 510.8%.

### Printed Media Advertising

With downsizing of the printed media advertising since 2016 resulting in a significant drop in revenue, printed media advertising becomes a niche segment of the Group. 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”). This segment contributed approximately 0.4% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB435,000 or 67.7% from approximately RMB643,000 for the six months ended 30 June 2019 to approximately RMB208,000 for the six months ended 30 June 2020.

Segment loss from printed media advertising for the six months ended 30 June 2020 amounted to approximately RMB835,000, representing an increase of approximately 16.6% as compared to the corresponding period last year, which was segment loss of approximately RMB716,000. Segment loss margin of printed media advertising increased from of approximately 111.4% for the six months ended 30 June 2019 to approximately 401.4% for the six months ended 30 June 2020. The small amount of revenue was not enough to cover the fixed costs like salary, causing a negative margin.

### Outdoor and Digital 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 campaign conducted in some train stations. Revenue was recognised when advertising was published or station campaigns were launched. The Group acquired a new advertising business in 2019-the digital advertising. Digital advertising income was recognized when advertising was published, and the income was based on the marketing value generated through the recognition of transaction volume, service fees for advertising design, analysis, planning and other services provided in the process. Revenue from outdoor and digital advertising increased by approximately RMB23,086,000 or 172.1% from approximately RMB13,417,000 for the six months ended 30 June 2019 to approximately RMB36,503,000 for the six months ended 30 June 2020. The increase was mainly contributed by the new advertising income from the online platforms.

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment profit from outdoor and digital advertising for the six months ended 30 June 2020 amounted to approximately RMB2,590,000 while it was of approximately RMB1,467,000 for the corresponding period last year. Segment profit margin of outdoor and digital advertising was 7.1% for the six months ended 30 June 2020 as compared to 10.9% for the six months ended 30 June 2019. The decrease in profit margin was contributed by the increase in agency fee incurred.

## 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. Revenue from film and entertainment business decreased by approximately RMB3,980,000 or 52.2% from approximately RMB7,619,000 for the six months ended 30 June 2019 to RMB3,639,000 for the six months ended 30 June 2020. The frequency of income from film and entertainment business was highly depending on the production status and the market trend for the respective periods.

Segment loss from film and entertainment business for the six months ended 30 June 2020 amounted to approximately RMB3,815,000, representing a decrease of approximately RMB4,231,000 or 1,017.1% as compared to segment profit of approximately RMB416,000 the corresponding period last year. Segment margin decreased from segment profit margin of approximately 5.5% for the six months ended 30 June 2019 to segment loss margin of approximately 104.8% for the six months ended 30 June 2020. The decrease in profit margin was contributed by the public relation fee involved for the marketing and promotion.

## Prepaid Card

Revenue from prepaid card business 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 was provided. Revenue from prepaid card business increased by approximately RMB3,163,000 or 47.7% from approximately RMB6,630,000 for the six months ended 30 June 2019 to approximately RMB9,793,000 for the six months ended 30 June 2020. This was due to significant increase in card management fee received with growing volume of prepaid card base.

Segment profit from prepaid card business for the six months ended 30 June 2020 amounted to approximately RMB333,000, representing an increase of approximately RMB4,129,000 as compared to the segment loss of approximately RMB3,796,000 corresponding period last year. Segment margin of prepaid card increased from segment loss of approximately 57.3% for the six months ended 30 June 2019 to segment profit of approximately 3.4% for the six months ended 30 June 2020. The improved segment result was contributed by increased number of prepaid cards base bringing in more card management fee.

## Cost of Sales

Cost of sales increased from approximately RMB25,127,000 for the six months ended 30 June 2019, to approximately RMB40,871,000 for the current period, representing an increase of approximately 62.7%. The increase was mainly contributed by the increased cost, in particular the agency and production cost driven by the new digital advertising business.

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

## Other Income

Other income increased from approximately RMB689,000 for the six months ended 30 June 2019, to approximately RMB1,491,000 for the current period, representing an increase of approximately 116.4%. The increase was mainly contributed by the increased bank interest income.

## Other Gains and Losses, Net

Other gains and losses, decreased from a net gain of approximately RMB1,421,000 for the six months ended 30 June 2019, to net loss of approximately RMB763,000 in the current period, representing a significant decrease of approximately 153.7%. The decrease was contributed by the one-off gain of reversal of allowance for doubtful debts provided during the six months ended 30 June 2019.

## Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 52.5% from approximately RMB3,454,000 for the six months ended 30 June 2019, to approximately RMB5,266,000 for the current period. The increased in the selling expense was mainly contributed by promotion expenses for the digital advertising business.

## Administrative Expenses

Administrative expenses increased from approximately RMB9,245,000 for the six months ended 30 June 2019, to approximately RMB31,197,000 for the current period, representing an significant surge of approximately 237.4%. The surge was contributed by the elimination of minority interest due to the disposal of a subsidiary.

## Income Tax

The income tax expense for the six months ended 30 June 2020 was approximately RMB28,000 as compared to no income tax expenses resulting from net loss for the corresponding period last year.

## 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 2020 amounted to approximately RMB20,506,000 as compared to approximately RMB3,357,000 in the corresponding period last year. Net loss margin of the Group for the six months ended 30 June 2020 was approximately 52.9% as compared to approximately 26.4% for the corresponding period last year.

## Liquidity and Financial Resources

As at 30 June 2020, 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 RMB11,620,000, representing a net decrease of approximately RMB6,953,000 as compared to approximately RMB18,573,000 as at 31 December 2019.

As at 30 June 2020, the current ratio was approximately 2.81 (31 December 2019: 2.92) and gearing ratio of the Group was approximately 0.08 (31 December 2019: 0.08) 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.



# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

## Pledge of Assets

As at 30 June 2020, the Group has approximately RMB3,077,000 pledged bank deposits to secure banking facilities, denominated in Hong Kong Dollars (31 December 2019: RMB2,968,000).

## Restricted Cash

As at 30 June 2020, the Group has approximately RMB101,189,000 (31 December 2019: RMB86,153,000) monies received from sale and reloading of prepaid cards maintained in trust account and other segregated bank accounts. The increase in restricted cash by approximately 17.5% when compared to corresponding period last year was contributed by increase in the amount of prepaid cards sold.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (as at 31 December 2019: nil).

## COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitment (as at 31 December 2019: nil).

## CAPITAL STRUCTURE

During the Year, the Group had net assets of approximately RMB355,601,000 (31 December 2019: RMB363,098,000), comprising non-current assets of approximately RMB91,121,000 (31 December 2019: RMB91,238,000), and current assets of approximately RMB410,753,000 (31 December 2019: RMB413,162,000). The Group recorded a net current asset position of approximately RMB264,480,000 (31 December 2019: RMB271,860,000), which primarily consists of film rights amounted to approximately RMB91,509,000 (31 December 2019: RMB93,012,000), prepayment for film and entertainment business amounted to approximately RMB109,018,000 (31 December 2019: RMB110,513,000), cash and cash equivalents, restricted cash and bank deposits amounted to approximately RMB115,886,000 (31 December 2019: RMB107,694,000), prepayments, deposits and other receivables amounted to approximately RMB13,801,000 (31 December 2019: RMB23,828,000), financial assets at fair value through profit or loss amounted to approximately RMB1,676,000 (31 December 2019: RMB2,348,000) and trade and bills receivables amounted to approximately RMB78,863,000 (31 December 2019: RMB75,767,000). Major current liabilities were trade payables, other payables and accruals and contracted liabilities amounted to approximately RMB21,115,000 (31 December 2019: RMB22,090,000), approximately RMB122,072,000 (31 December 2019: RMB109,132,000) and approximately RMB1,631,000 (31 December 2019: RMB8,311,000), respectively. Non-current liability was lease liabilities under operating leases, there is no non-current liability as of 30 June 2020 (31 December 2019: RMB387,000).

The Group has no bank borrowings.

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

## HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 49 employees (as at 30 June 2019: 46 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 RMB4,911,000 (six months ended 30 June 2019: RMB4,416,000).

## PROSPECTS

Looking forward, the Group will continue to focus on its business development on various segments, in particular the digital advertising business and prepaid card business. The Group expects tough challenges from fast changing economic conditions and the global outbreak of Coronavirus Disease 2019 (COVID-19). The financial performance of the Group might be affected by the COVID-19 outbreak in year of 2020, especially the film and entertainment investment business. However, the Group believes that the current circumstances provide opportunities to boost the digital advertising business, in the view that merchants try to promote their products and services more intensively after the COVID-19 pandemic. The Group will continue to closely monitor the situation, strengthen cost control and adopt appropriate measures to develop our businesses in year ahead.

## CORPORATE GOVERNANCE

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 "CG Code") contained in Appendix 15 to the GEM Listing Rules. In the opinion of the Directors, the Company has complied with the CG Code throughout the period under review.

## DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2020, 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.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION OR DISPOSAL AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant investments, material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020. The Group has no specific plan for material investments or capital assets as at 30 June 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

## 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 2020, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held (Note 2)	Total	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation/ Beneficial owner	57,602,000 (Note 1)	5,760,000	63,362,000	11.00
Mr. Ma Pun Fai	Beneficial owner	–	5,760,000	5,760,000	1.00

Notes:

- (1) These Shares were registered in the name of and beneficially owned by 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.
- (2) Mr. Ruan and Mr. Ma Pun Fai, the executive Directors, were granted share options under the share option scheme of the Company on 5 July 2019 at an exercise price of HK\$0.29 per Share with the validity period from 5 July 2019 to 4 July 2021.

Save as disclosed above, as at 30 June 2020, 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), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# 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

As at 30 June 2020, 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	Number of underlying Shares held	Total	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	10.00
Lizhong (Note 1)	Beneficial owner	57,602,000	–	57,602,000	10.00
Broad Win (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	10.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	57,602,000	–	57,602,000	10.00
Joint Loyal (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	10.00
Ms. Liu Sibin (Note 3)	Interest of spouse	57,602,000	5,760,000	63,362,000	11.00
New Express Investment Limited (Note 4)	Beneficial owner	39,862,200	–	39,862,200	6.92
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	39,862,200	–	39,862,200	6.92

Notes:

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

# MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2020, 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.

## SHARE OPTION SCHEME

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 17 December 2010. On 5 July 2019, share options were granted to certain eligible participants under the Share Option Scheme to subscribe for an aggregate of 57,600,000 Shares (adjusted upon effective of share consolidation on 10 June 2020) at an exercise price of HK\$0.29 per Share (adjusted upon effective of share consolidation on 10 June 2020) with the validity period from 5 July 2019 to 4 July 2021 (both dates inclusive). During the six months ended 30 June 2020, no share options were granted, lapsed, exercised or cancelled. As at 30 June 2020, there were outstanding 57,600,000 share options.

## EVENTS AFTER THE REPORTING PERIOD

There was no significant events occurring after the reporting period and up to the date of this interim report.

## AUDIT COMMITTEE

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 the CG 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 review the risk management and the internal control systems of the Company; and to perform the corporate governance functions under Paragraph D.3.1 of the CG Code. As at 30 June 2020, the Audit Committee comprises Ms. Tay Sheve Li, Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, all being independent non-executive directors. Ms. Tay Sheve Li, who possess appropriate professional qualifications, accounting and related financial management expertise, serves as the Chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2020. The Audit Committee was 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 2020

*As at the date of this report, 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.*