



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

THIRD QUARTERLY
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.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

THIRD QUARTERLY RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the nine months and three months ended 30 September 2020, together with the comparative unaudited figures for the corresponding periods in 2019, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Revenue	4	72,370	44,458	22,227	16,149
Cost of sales		(62,714)	(39,872)	(21,843)	(14,745)
Gross profit		9,656	4,586	384	1,404
Other income		2,337	1,017	846	328
Other losses and gains, net	5	(1,272)	600	(509)	(821)
Selling and distribution expenses		(8,817)	(5,154)	(3,551)	(1,700)
Administrative expenses		(36,365)	(17,433)	(5,168)	(8,188)
Share of losses of a joint venture		–	(22)	–	(7)
Finance cost	6	(276)	(74)	(231)	(35)
Loss before taxation		(34,737)	(16,480)	(8,229)	(9,019)
Taxation	7	(40)	–	(12)	–
Loss for the period		(34,777)	(16,480)	(8,241)	(9,019)
Other comprehensive income/(expense) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(6,778)	14,992	(9,064)	10,739
Exchange reverse released upon on disposal of subsidy		3,640	–	–	–
Total comprehensive (expense)/income for the period		(37,915)	(1,488)	(17,305)	1,720

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Loss for the period attributable to:					
Owners of the Company		(34,660)	(16,526)	(8,228)	(8,916)
Non-controlling interests		(117)	46	(13)	(103)
		(34,777)	(16,480)	(8,241)	(9,019)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the company		(37,798)	(1,534)	(17,292)	1,823
Non-controlling interests		(117)	46	(13)	(103)
		(37,915)	(1,488)	(17,305)	1,720
		RMB cents	RMB cents (Restated)	RMB cents	RMB cents (Restated)
Loss per share					
Basic and diluted	9	(5.9)	(2.9)	(1.4)	(1.5)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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 for the period	-	-	-	-	-	-	-	(16,526)	(16,526)	46	(16,480)
Other comprehensive expense for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	14,992	-	-	14,992	-	14,992
Total comprehensive expense for the period	-	-	-	-	-	14,992	-	(16,526)	(1,534)	46	(1,488)
At 30 September 2019 (unaudited)	36,721	626,521	26,239	13,174	19	34,340	4,807	(303,439)	438,382	(8,129)	430,253
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 for the period	-	-	-	-	-	-	-	(34,660)	(34,660)	(117)	(34,777)
Other comprehensive expense for the period:											
Exchange reverse released upon disposal of subsidiary	-	-	-	-	-	3,640	-	-	3,640	-	3,640
Exchange differences on translation of foreign operations	-	-	-	-	-	(6,778)	-	-	(6,778)	-	(6,778)
Total comprehensive expense for the period	-	-	-	-	-	(3,138)	-	(34,660)	(37,798)	(117)	(37,915)
Released upon disposal of subsidiary	-	-	-	-	-	-	-	-	-	13,500	13,500
Issue of shares upon placing shares	7,855	-	-	-	-	-	-	-	7,855	-	7,855
At 30 September 2020 (unaudited)	44,576	626,521	26,239	13,174	19	31,050	4,610	(396,734)	349,455	(3,304)	346,151

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong 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 principal activity of the Company is investment holding. During the period, 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 under 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.

3. APPLICATION OF NEW AND REVISED IFRSs

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents the advertising income, the distribution income and profit sharing of film and entertainment investments, as well as transaction fees and card related fees earned from the use of the prepaid cards.

	Nine months ended 30 September 2020 (unaudited) RMB'000		Three months ended 30 September 2020 (unaudited) RMB'000	
	2019 (unaudited) RMB'000	2019 (unaudited) RMB'000	2019 (unaudited) RMB'000	2019 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follow:				
Printed media advertising income	314	721	106	78
Outdoor and digital advertising income	49,596	25,641	13,093	12,224
Film and entertainment investment income	7,213	7,703	3,574	84
Prepaid card income	15,247	10,393	5,454	3,763
Total	72,370	44,458	22,227	16,149

	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
For the nine months ended 30 September 2020					
Segment revenue:					
Revenue-external customers	314	49,596	7,213	15,247	72,370
Timing of revenue recognition					
At a point in time	-	-	7,213	15,247	22,460
Over time	314	49,596	-	-	49,910
	314	49,596	7,213	15,247	72,370
Segment (loss)/profit	(897)	3,418	(5,510)	652	(2,337)
<i>Reconciliation:</i>					
Bank interest income					958
Other unallocated income and gains and losses, net					107
Finance cost					(276)
Corporate and other unallocated expenses					(33,189)
Loss before tax					(34,737)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
For the nine months ended 30 September 2019					
Segment revenue:					
Revenue-external customers	721	25,641	7,703	10,393	44,458
Timing of revenue recognition					
At a point in time	–	–	7,703	10,393	18,096
Over time	721	25,641	–	–	26,362
	721	25,641	7,703	10,393	44,458
Segment (loss)/profit	(783)	1,524	489	(4,917)	(3,687)
<i>Reconciliation:</i>					
Bank interest income					303
Other unallocated income and gains and losses, net					1,314
Share of losses of a joint venture					(22)
Corporate and other unallocated expenses					(14,388)
Loss before tax					(16,480)

5. OTHER LOSSES AND GAINS, NET

	Nine months ended 30 September		Three months ended 30 September	
	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	(1,264)	(1,754)	(548)	(919)
Reversal of allowance for expected credit losses on trade receivable	–	3,008	–	3,008
Others	(8)	(654)	39	(2,910)
Total	(1,272)	600	(509)	(821)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COST

	Nine months ended		Three months ended	
	30 September 2020 (unaudited) RMB'000	2019 (unaudited) RMB'000	30 September 2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Interest on lease liabilities	276	74	231	35

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group 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 PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

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

9. 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:

	Nine months ended 30 September 2020		Three months ended 30 September 2020	
	(unaudited) RMB'000	2019 (unaudited) RMB'000	(unaudited) RMB'000	2019 (unaudited) RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(34,660)	(16,526)	(8,228)	(8,916)

	Number of shares Nine months ended 30 September 2020		Three months ended 30 September 2020	
	'000	2019 '000 (Restated)	'000	2019 '000 (Restated)
Average number of ordinary shares for the purpose of basic and diluted loss per share	583,147	576,000	597,287	576,000

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. 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 September 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 September 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 September 2019, 1 January 2020	5,760,000,000	5,760	36,721
Share consolidation (note (i))	(5,184,000,000)	–	–
Placing of shares (note (ii))	115,200,000	1,152	7,855
Ordinary shares of US\$0.01 each as at 30 September 2020	691,200,000	6,912	44,576

Notes:

- (i) 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.
- (ii) On 27 August 2020, the Company and the placing agent entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 115,200,000 placing shares at the placing price of HK\$0.079 per placing share to not less than six places. On 14 September 2020, a total of 115,200,000 placing shares have been successfully placed by the placing agent.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS AND FINANCIAL REVIEW

The principal business of the Group during the period included outdoor and digital advertising, film and entertainment investment, prepaid card business and printed media advertising. The Group's revenue for the nine months ended 30 September 2020 amounted to approximately RMB72,370,000, representing an increase of approximately RMB27,912,000 or 62.8% as compared to approximately RMB44,458,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB5,070,000 to approximately RMB9,656,000 for the nine months ended 30 September 2020 from approximately RMB4,586,000 for the corresponding period last year. The gross profit margin for the current period increased to 13.3% from 10.3% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to the owners of the Company of approximately RMB37,798,000 during the period, representing an increase of RMB36,264,000 when compared to RMB1,534,000 for the corresponding period last year. The increase was mainly contributed by the increased administrative expenses due to the elimination of minority interest due to the disposal of a subsidiary during the period under review.

Printed Media Advertising

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 People's Republic of China (the “PRC”). With phasing out of the printed media advertising, revenue from printed media advertising decreased by approximately RMB407,000 or 56.4% from approximately RMB721,000 for the nine months ended 30 September 2019 to approximately RMB314,000 for the nine months ended 30 September 2020. With termination of cooperation agreement with China Railway Publisher, the Group's revenue on printed media advertising was mainly from those contracts entered with old customers. We expect in year of 2020, there will only be minimal revenue generated from printed media advertising.

Segment loss from printed media advertising for the nine months ended 30 September 2020 amounted to approximately RMB897,000, representing an increase of approximately 14.6% as compared to the corresponding period last year, which was approximately RMB783,000. Segment loss margin of printed media advertising increased from approximately 108.6% for the nine months ended 30 September 2019 to approximately 285.7% for the nine months ended 30 September 2020. The decrease in segment margin was due to significant decrease in revenue which 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 significantly by approximately RMB23,955,000 or 93.4% from approximately RMB25,641,000 for the nine months ended 30 September 2019 to approximately RMB49,596,000 for the nine months ended 30 September 2020. The increase was mainly contributed by advertising income from the online platforms, which was newly launched in the second half year of 2019.



MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment profit from outdoor and digital advertising for the nine months ended 30 September 2020 amounted to approximately RMB3,418,000 while it was of approximately RMB1,524,000 for the corresponding period last year. Segment profit margin of outdoor and digital advertising was 6.9% for the nine months ended 30 September 2020 as compared to 5.9% for the nine months ended 30 September 2019. The improvement in the segment profit margin was mainly due to the implementation of cost control measures.

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 RMB490,000 or 6.4% from approximately RMB7,703,000 for the nine months ended 30 September 2019 to RMB7,213,000 for the nine months ended 30 September 2020. The reduction was contributed by the reduction in the distribution income from film rights.

Segment loss from film and entertainment business for the nine months ended 30 September 2020 amounted to approximately RMB5,510,000, representing a significant increase of approximately RMB5,999,000 or 1,226.8% as compared to segment profit of approximately RMB489,000 for the corresponding period last year. Segment margin decreased from profit margin of approximately 6.3% for the nine months ended 30 September 2019 to loss margin of approximately 76.4% for the nine months ended 30 September 2020. The decrease in segment profit and profit margin was due to increase in promotion fees and administrative expenses.

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 RMB4,854,000 or 46.7% from approximately RMB10,393,000 for the nine months ended 30 September 2019 to approximately RMB15,247,000 for the nine months ended 30 September 2020. The increased in the revenue was mainly contributed by increase in transaction fees driven by higher spending volume, as well as card management fee with the card sold in prior years, as the card management fees were collected after 1 year from card being sold.

Segment profit from prepaid card business for the nine months ended 30 September 2020 amounted to approximately RMB652,000, representing an increase of approximately RMB5,569,000, or 113.3% as compared to the corresponding period last year, which was segment loss of approximately RMB4,917,000. Segment margin of prepaid card business increased from loss margin of approximately 47.3% for the nine months ended 30 September 2019 to profit margin of approximately 4.3% for the nine months ended 30 September 2020. The improvement in profit margin was contributed by increase in the revenue to cover the costs.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

CONTINGENT LIABILITIES

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

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 during the nine months ended 30 September 2020.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

For the nine months ended 30 September 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 close associates (as defined under the 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 nine months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 September 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	9.17
Mr. Ma Pun Fai	Beneficial owner	–	5,760,000	5,760,000	0.83

Notes:

- These Shares were registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which was owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal was owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan was deemed to be interested in all the Shares in which Joint Loyal was interested by virtue of the SFO. Mr. Ruan was the sole director of Joint Loyal.
- 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 (adjusted) with the validity period from 5 July 2019 to 4 July 2021.

Save as disclosed above, as at 30 September 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 September 2020, the following persons (other than a Director or chief executive of the Company) 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 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	8.33
Lizhong (Note 1)	Beneficial owner	57,602,000	–	57,602,000	8.33
Broad Win (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	8.33
Ms. Pan Xiaoying (Note 2)	Interest of spouse	57,602,000	–	57,602,000	8.33
Joint Loyal (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	8.33
Ms. Liu Sibin (Note 3)	Interest of spouse	57,602,000	5,760,000	63,362,000	9.17
New Express Investment Limited (Note 4)	Beneficial owner	39,862,200	–	39,862,200	5.77
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	39,862,200	–	39,862,200	5.77

Notes:

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

Save as disclosed above, as at 30 September 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.



MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the 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 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 during the nine months ended 30 September 2020.

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 nine months ended 30 September 2020, no share options were granted, lapsed, exercised or cancelled. As at 30 September 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 quarterly 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 September 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 nine months ended 30 September 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

Hong Kong, 9 November 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.