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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 2020

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.

*This announcement, 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, 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.

The board (the "**Board**") of Directors of 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 2020 (the "**Year**"), together with comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*3*	**95,217**	79,568
Cost of sales		**(88,382)**	(72,318)
Gross profit		**6,835**	7,250
Other income	*5*	**3,121**	1,482
Other gains and losses, net	*6*	**6,230**	(3,003)
Selling and distribution expenses		**(6,057)**	(5,520)
Provision for film rights		**(76,315)**	(19,888)
Impairment loss for trade receivables, net		**(17,450)**	(13,401)
Impairment loss for other receivables		**–**	(26,278)
Administrative expenses		**(26,189)**	(22,915)
Loss on disposal of a subsidiary		**(10,951)**	(1,227)
Loss on deregistration of a subsidiary		**(1,585)**	–
Share-based payment expenses		**(589)**	(4,610)
Share of results of a joint venture		**–**	(204)
Finance cost	*8*	**(552)**	(110)
Loss before taxation	*7*	**(123,502)**	(88,424)
Taxation	*9*	**(163)**	(56)
Loss for the year		**(123,665)**	(88,480)
Other comprehensive (expense)/income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(23,283)**	14,840
Total comprehensive loss for the year		**(146,948)**	(73,640)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Loss for the year attributable to:			
– Owners of the Company		**(123,683)**	(78,780)
– Non-controlling interests		**18**	(9,700)
		(123,665)	(88,480)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(146,966)**	(63,940)
Non-controlling interests		**18**	(9,700)
		(146,948)	(73,640)
		RMB cents	*RMB cents* *(Restated)*
Loss per share	*11*		
Basic and diluted		**(20.27)**	(13.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment		**6,530**	8,581
Right-of-use assets		**346**	1,893
Prepayments and deposits		**2,911**	2,412
Prepayment for film and entertainment business	*12*	**36,916**	78,352
		46,703	91,238
Current assets			
Film rights	*12*	**70,916**	93,012
Trade receivables	*13*	**50,578**	75,767
Prepayments, deposits and other receivables		**12,246**	23,828
Prepayment for film and entertainment business	*12*	**69,834**	110,513
Financial assets at fair value through profit or loss		**14,848**	2,348
Pledged bank deposits		**2,841**	2,968
Restricted cash		**123,035**	86,153
Cash and cash equivalents		**19,064**	18,573
		363,362	413,162
Current liabilities			
Trade payables	*14*	**12,156**	22,090
Other payables and accruals		**147,380**	109,132
Contract liabilities		**1,668**	8,311
Lease liabilities		**364**	1,510
Bond payable		**488**	–
Tax payable		**1,139**	259
		163,195	141,302
Net current assets		**200,167**	271,860
Total assets less current liabilities		**246,870**	363,098
Non-current liabilities			
Bond payable		**10,068**	–
Lease liabilities		**–**	387
		10,068	387
Net assets		**236,802**	362,711
Capital and reserves			
Share capital		**44,567**	36,721
Reserves		**193,379**	342,677
Equity attributable to owners of the Company		**237,946**	379,398
Non-controlling interests		**(1,144)**	(16,687)
Total equity		**236,802**	362,711

NOTES
Year ended 31 December 2020

1. GENERAL

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 Virigin 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 Company is an investment holding company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

ln the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after l January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS I and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after I June 2020.

2.2 New and amendments to HKFRSs issued but not yet effective

‘The Group has not early applied the following re levant new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Yenture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) [1]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle[2]

1. *Effective for annual periods beginning on or after l January 2023.*
2. *Effective for annual periods beginning on or after 1 January 2022.*
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.*

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

	2020	2019
	RMB'000	*RMB'000*
An analysis of the Group's revenue for the year is as follows:		
Recognised over time:		
Printed media advertising income	**849**	1,134
Outdoor and digital advertising income	**63,559**	44,774
Recognised at a point in time:		
Film and entertainment investment income	**11,785**	19,209
Prepaid card income	**19,024**	14,451
Total	**95,217**	79,568

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts in net disclosed.

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 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.

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 2020

	Printed media advertising *RMB'000*	Outdoor and digital advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Revenue – external customers	**849**	**63,559**	**11,785**	**19,024**	**95,217**
Timing of revenue recognition					
At a point in time	**–**	**–**	**11,785**	**19,024**	**30,809**
Over time	**849**	**63,559**	**–**	**–**	**64,408**
	849	**63,559**	**11,785**	**19,024**	**95,217**
Segment profit/(loss)	**463**	**(5,265)**	**(91,638)**	**(2,141)**	**(98,581)**
Bank interest income					**1,043**
Unallocated other income, other gains and losses, net					**8,308**
Loss on disposal of a subsidiary					**(10,951)**
Loss on deregistration of a subsidiary					**(1,585)**
Share-based payment expenses					**(589)**
Finance cost					**(552)**
Corporate and other unallocated expenses					**(20,595)**
Loss before taxation					**(123,502)**

For the year ended 31 December 2019

	Printed media advertising *RMB'000*	Outdoor and digital advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Revenue – external customers	1,134	44,774	19,209	14,451	79,568
Timing of revenue recognition					
At a point in time	–	–	19,209	14,451	33,660
Over time	1,134	44,774	–	–	45,908
	1,134	44,774	19,209	14,451	79,568
Segment profit/(loss)	(1,478)	4,235	(63,708)	(6,516)	(67,467)
Bank interest income					553
Unallocated other income, other gains and losses, net					(1,350)
Share of results of a joint venture					(204)
Share-based payment expenses					(4,610)
Finance cost					(110)
Corporate and other unallocated expenses					(15,236)
Loss before taxation					(88,424)

For the year ended 31 December 2020, the accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit/(losses) earned or loss incurred by each segment without allocation of bank interest income, other income and other gains and losses, net fair value changes of financial assets at fair value through profit or loss, loss on disposal of a subsidiary, loss on derecognition of a subsidiary, share-based payment expenses and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses and certain administrative expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

For the year ended 31 December 2019, the accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit/(losses) earned or loss incurred by each segment without allocation of bank interest income, certain other income and other gains and losses, net fair value changes of financial assets at fair value through profit or loss, loss on disposal of property, plant and equipment, share of results of a joint venture, share-based payment expenses and corporate and other unallocated expenses. Corporate and other unallocated expenses included selling and distribution expenses, administrative 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 2020

	Printed media advertising *RMB'000*	Outdoor and digital advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Segment assets	**3,407**	**12,226**	**216,320**	**7,324**	**239,277**
Financial assets at fair value through profit or loss					**14,848**
Corporate and other unallocated assets					**11,000**
Pledged bank deposits					**2,841**
Restricted cash					**123,035**
Cash and cash equivalents					**19,064**
Consolidated assets					**410,065**
Segment liabilities	**365**	**7,857**	**159**	**115,564**	**123,945**
Bond payable					**10,556**
Corporate and other unallocated liabilities					**38,762**
Consolidated liabilities					**173,263**

At 31 December 2019

	Printed media advertising *RMB'000*	Outdoor and digital advertising *RMB'000*	Film and entertainment investment *RMB'000*	Prepaid card *RMB'000*	Consolidated *RMB'000*
Segment assets	1,301	20,245	335,204	8,740	365,490
Financial assets at fair value through profit or loss					2,348
Corporate and other unallocated assets					28,868
Pledged bank deposits					2,968
Restricted cash					86,153
Cash and cash equivalents					18,573
Consolidated assets					504,400
Segment liabilities	3,457	21,216	170	84,103	108,946
Corporate and other unallocated liabilities					32,743
Consolidated liabilities					141,689

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, financial assets at fair value through profit or loss, 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 and accruals, contract liabilities, tax payable and bond payable.

Other segment information

For the year ended 31 December 2020

	Printed media advertising *RMB'000*	**Outdoor and digital 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 expect credit losses on trade receivables	**–**	**907**	**16,471**	**72**	**17,450**
Provision for film rights	**–**	**–**	**76,315**	**–**	**76,315**

For the year ended 31 December 2019

	Printed media advertising *RMB'000*	Outdoor and digital 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 expect credit losses on trade receivables	30	1,024	15,717	51	16,822
Reversal of allowance for expect credit losses on trade receivables	(1,300)	(2,104)	–	(17)	(3,421)
Allowance for expect credit losses on deposits and other receivables	34	737	31	–	802
Reversal of allowance for expected credit losses on other receivables	–	(79)	–	–	(79)
Advertising agency fee and production expenses	3,849	40,961	–	–	44,810
Provision for film rights	–	–	19,888	–	19,888
Impairment loss for refundable deposits for termination of film investments	–	–	26,278	–	26,278

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**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**19,024**	25,906	**41,561**	5,728
Overseas	**11,785**	6,168	**–**	–
The PRC	**64,408**	47,494	**5,142**	85,510
	95,217	79,568	**46,703**	91,238

Information about major customers

For the year ended 31 December 2020, revenue generated from Nil (2019: Nil (restated)) customer of the Group from film and entertainment investment and three (2019: two (restated)) customer from outdoor and digital advertising amounting to approximately RMBNil (2019: RMBNil (restated)) and RMB36,344,000 (2019: RMB26,667,000 (restated)) respectively 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:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**11,189**	11,455
Customer B	**16,471**	N/A*
Customer C	**8,684***	15,212
	36,344	26,667

* *The customers contributed less than 10% of the total revenue of the Group.*

5. OTHER INCOME

	2020 *RMB'000*	2019 *RMB'000*
Bank interest income	**1,043**	553
Government grants *(Note (i))*	**876**	–
Others *(Note (ii))*	**1,202**	929
	3,121	1,482

Note:

(i) There are no unfulfilled conditions or contingencies relating to the government grants.

(ii) Included the amount contributed by the other income received from managing a prepaid card sales counter for a co-branded partner amounted to approximately RMB977,000 (2019: RMB 750,000).

6. OTHER GAINS AND LOSSES, NET

	2020 *RMB'000*	2019 *RMB'000* *(Restated)*
Allowance for expected credit losses on other receivables	**–**	(802)
Reversal of allowance for expected credit losses on other receivables	**–**	79
Loss on disposal of property, plant and equipment	**(50)**	(453)
Net exchange loss	**–**	(305)
Fair value change of financial assets at fair value through profit or loss	**6,280**	(1,611)
Others	**–**	89
	6,230	(3,003)

7. LOSS BEFORE TAXATION

	2020 *RMB'000*	2019 *RMB'000*
Loss before taxation has been arrived at after charging:		
Auditors' remuneration	**522**	749
Depreciation of property, plant and equipment	**2,232**	2,482
Depreciation on right-of-use assets	**1,386**	1,261
Employee benefit expense (including directors' emoluments)		
Salaries, bonuses and other benefits	**9,832**	8,861
Contributions to retirement benefits schemes	**423**	728
Share-based payment expenses	**589**	4,610
Total employee benefit expenses	**10,844**	14,199
Advertising agency fees and production expenses for printed media and outdoor and digital advertising (included in cost of sales)	**45,309**	44,810
Payment to short-term lease	**417**	1,023

8. FINANCE COST

	2020 *RMB'000*	2019 *RMB'000*
Interest expense on corporate bond	**488**	–
Interest expense on lease liabilities	**64**	110
	552	110

9. TAXATION

	2020 *RMB'000*	2019 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	**163**	56

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.

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%.

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

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: 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:

	2020	2019
	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)	**(123,683)**	(78,780)

	Number of shares	
	2020	2019
	'000	*'000*
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**610,308**	576,000

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 does not assume the exercise of the Company's share options since their assumed exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

For the years ended 31 December 2020 and 2019, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted to take into effect of the share consolidation as if it had taken place on 1 January 2019.

12. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

Film rights

	2020	2019
	RMB'000	*RMB'000*
COST		
At the beginning of the year	**93,012**	112,442
Additions	**75,268**	15,825
Recognised as an expense included in cost of sales	**(10,636)**	(17,123)
Provision for film rights *(Note)*	**(76,315)**	(19,888)
Effect of foreign currency exchange difference	**(10,413)**	1,756
At the end of the year	**70,916**	93,012

Note: For details of the provision made, please refer to "Management Discussion and Analysis" under Film and Entertainment Investment.

During the year ended 31 December 2020, additions represented the transfer of approximately RMB75,268,000 from prepayment for film and entertainment business.

As at 31 December 2020 and 2019, management of the Group considered the expected future income of the film rights can recover the film costs.

Film rights are stated at cost less any identified impairment loss.

Prepayment for film and entertainment business

	2020	2019
	RMB'000	*RMB'000*
Current	**69,834**	110,513
Non-current	**36,916**	78,352
	106,750	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. TRADE RECEIVABLES

Trade receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**87,810**	118,304
Less: Allowance for expected credit losses	**(37,232)**	(42,537)
	50,578	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. 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, are as follows:

	2020	2019
	RMB'000	*RMB'000*
Trade receivables:		
Within 90 days	**13,889**	25,739
91 – 180 days	**1,261**	4,853
181 – 365 days	**1,871**	7,429
Over 1 year	**33,557**	37,746
	50,578	75,767

14. TRADE PAYABLES

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:

	2020	2019
	RMB'000	*RMB'000*
Within 90 days	**9,291**	15,800
91 – 180 days	**–**	128
Over 180 days	**2,865**	6,162
	12,156	22,090

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

16. EVENTS AFTER REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, the financial performance of the Group may be affected by the COVID-19, especially in the film and entertainment segment and prepaid card business. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal business of the Group during the Year included outdoor and digital advertising, film and entertainment investment, prepaid card business as well as printed media advertising. The Group maintain the sustainability of its business by continuing on the prepaid card business, investment on film and entertainment and shifting from traditional printed media advertising to outdoor and digital advertising. The revenue contributed from each of the segments for the Year are set out below.

FINANCIAL REVIEW

The Group's revenue for the Year amounted to approximately RMB95,217,000, representing an increase of approximately RMB15,649,000 or 19.7% as compared to that of last year of approximately RMB79,568,000. The Group recorded a total comprehensive loss attributable to owners of the Company for the Year of approximately RMB146,966,000, representing an increase of approximately RMB83,026,000 or 129.8% as compared to that of last year of approximately RMB63,940,000.

Revenue by Segment and Segment Results

Analysis of revenue by segment is as follows:

	2020	2019		**2020**	2019
	RMB'000	*RMB'000*	***Change (%)***	***% of total revenue***	
Printed media advertising	**849**	1,134	(25.1)	**0.9**	1.4
Outdoor and digital advertising	**63,559**	44,774	42.0	**66.7**	56.3
Film and entertainment investment	**11,785**	19,209	(38.6)	**12.4**	24.1
Prepaid card	**19,024**	14,451	31.6	**20.0**	18.2
	95,217	79,568	19.7	**100.0**	100.0

Printed Media Advertising

Since the expiry of agreement between the Group and 中國鐵道出版社(China Railway Publisher) for an exclusive right to operate and distribute printed monthly nationwide periodical at China Railway High-speed train, the printed media advertising business began to downsize, resulting in a significant drop in revenue. 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 only source of revenue for the printed media advertising segment for the Year.

Revenue from printed media advertising decreased by approximately RMB285,000 or 25.1% from approximately RMB1,134,000 for the year ended 31 December 2019 to approximately RMB849,000 for the Year. The decrease was mainly due to decrease in number of customers placing advertisements in periodical "旅伴" (Fellow Traveller).

During the Year, the segment results of printed media advertising recorded a segment profit of approximately RMB463,000, representing an increase of approximately 131.3% as compared to segment loss of approximately RMB1,478,000 for last year. The increase in segment margin was due to the lower agency fee.

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.

Revenue from digital advertising 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 RMB18,785,000 or 42.0% from approximately RMB44,774,000 for the year ended 31 December 2019 to approximately RMB63,559,000 for the Year. The increase was mainly due to increased number of customers which led to higher income generated from digital advertising business.

Segment results of outdoor and digital advertising recorded a segment loss of approximately RMB5,265,000 for the Year, representing a decrease of approximately 224.3% as compared to segment profit of approximately RMB4,235,000 for last year. The increase in segment loss was due to increase in agency costs.

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 investment decreased by approximately RMB7,424,000 or 38.6% from approximately RMB19,209,000 for the year ended 31 December 2019 to RMB11,785,000 for the Year. The frequency of income from film and entertainment investment was highly dependent on the production status and the market trend for the respective periods. Our film and entertainment segment hit hard by the the global outbreak of Coronavirus Disease 2019 (COVID-19) in year of 2020, which closed cinemas and coliseum, shrank box office takings and causing plunged revenue last year.

Segment loss from film and entertainment business for the Year amounted to approximately RMB91,638,000, representing a significant increase in loss of approximately RMB27,930,000 or 43.8% as compared to that of last year. The increase in segment loss was mainly attributable to the provision made on film rights of approximately RMB76,315,000 (2019: RMB19,888,000) offset by the non-recurring impairment loss for refundable deposits for termination of film investments of approximately RMB26,278,000 recognised in 2019.

The recent film industry in the People's Republic of China (the "PRC") was affected by the PRC's tax authority in reinforcing tax practices. The tightened tax practice affected the entire film industry's current operation, in particular, some film production companies have cancelled or postponed their film projects, some film production companies have gone out of business while some of the actors/actresses were affected by the tightened tax practices. As the Group's films under production normally targeted Chinese actors/actresses and the leading role in the films and production mainly took place in the PRC, management expected the production of these films would be challenging in the near future. Coupled with the impact of COVID-19 and social distancing measures, the Group observed several film productions were delayed significantly. The impact of these factors last longer than initially anticipated in previous years. Management also observed that certain delayed films are of genres which were no longer preferred by the Group's target customers since the original expected date of film completion. In addition, two films were unable to obtain broadcasting permit in the PRC for the Year.

For the reasons set out above, management provided full impairment on those film rights or films under production for the Year. Management will continue to identify potential investors to participate in the production of these films, as fit, and will review the business strategy of this segment in order to optimize the financial resources of the Group.

Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 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 business increased by approximately RMB4,573,000 or 31.6% from approximately RMB14,451,000 for the year ended 31 December 2019 to approximately RMB19,024,000 for the Year. This was due to increase in the amount of prepaid cards sold in 2020 when compared with that of last year which increased the transaction related fees. The larger card base also bring in additional income from card related services fees, for instance card management fee.

Segment loss from prepaid card business for the Year amounted to approximately RMB2,141,000, representing a decrease of approximately RMB4,375,000 or 67.1% as compared to that of last year, which was approximately RMB6,516,000. The improved segment result was contributed by increased amount of prepaid cards sold bringing more transaction related services fees, as well as more card management fee received with growing volume of prepaid card sold.

Other Income

There was other income of approximately RMB3,121,000, compared to last year of RMB1,482,000. The increase was mainly contributed by Employment Support Scheme received from Hong Kong Government and increased time deposit interest income.

Cost of Sales

Cost of sales mainly consists of production cost for film and entertainment projects, agency fee for advertising medium, prepaid card transaction processing costs and direct labor cost. Cost of sales increased from approximately RMB72,318,000 for last year to RMB88,382,000 for the Year, representing an increase of approximately 22.2%. The increase was mainly contributed by the increased cost, in particular the agency and production cost driven by the outdoor and digital advertising business.

Selling and Distribution Expenses

Selling and distribution expenses mainly include advertising expenses, salaries, commissions to sales staff and travelling and related expenses. It accounted for approximately 6.9% and 6.4% of the Group's total revenue for the years ended 31 December 2019 and 2020, respectively. The amount increased by approximately 9.7% from approximately RMB5,520,000 for last year to approximately RMB6,057,000 for the Year. The increase was mainly due to increase in marketing expenses.

Administrative Expenses

Administrative expenses mainly consists of salaries, depreciation of fixed assets, rental expense and legal and professional fees. Administrative expenses increased by approximately 19.8% from approximately RMB22,915,000 for the year ended 31 December 2019 to approximately RMB26,189,000 for the Year. The increase was mainly due to the increased public relationship fee incurred.

Other Gains and Losses

Other gains and losses increased by approximately 307.5% from other losses of approximately of RMB3,003,000 to other gains of approximately RMB6,230,000. The increase was mainly due to the gains from fair value change of financial assets at fair value through profit or loss.

Income Tax Expense

The income tax expense of the Group for the Year was approximately RMB163,000 (2019: RMB56,000) at the effective tax rate of 0.1% (2019: 0.1%).

Total Comprehensive Loss 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 RMB146,966,000, representing an increase of approximately RMB83,026,000 or 129.8%, as compared to approximately RMB63,940,000 for last year. Net loss margin of the Group was approximately 129.9% as compared to approximately 111.2% for last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's cash and cash equivalents, including bank balances and cash on hand, and short-term bank deposits with original maturities of three months or less, amounted to approximately RMB19,064,000, representing an increase of approximately RMB491,000 or 2.6%, as compared to approximately RMB18,573,000 as at 31 December 2019.

As at 31 December 2020, the current ratio was approximately 2.23 (2019: 2.92) and the gearing ratio of the Group was approximately 0.10 (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.

PLEDGE OF ASSETS

As at 31 December 2020, the Group has approximately RMB2,841,000 (2019: RMB2,968,000) pledged bank deposits to secure a banking facility, denominated in HKD.

RESTRICTED CASH

As at 31 December 2020, the Group has approximately RMB123,035,000 (2019: RMB86,153,000) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts. The increase in restricted cash by approximately 42.8% when compared to last year's was contributed by increase in the amount of prepaid cards sold.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (2019: Nil).

CAPITAL STRUCTURE

As at 31 December 2020, the Group had net assets of approximately RMB236,802,000 (2019: RMB362,711,000), comprising non-current assets of approximately RMB46,703,000 (2019: RMB91,238,000), and current assets of approximately RMB363,362,000 (2019: RMB413,162,000). The Group recorded a net current asset position of approximately RMB200,167,000 (2019: RMB271,860,000), which primarily consists of film rights amounted to approximately RMB70,916,000 (2019: RMB93,012,000), prepayment for film and entertainment business amounted to approximately RMB69,834,000 (2019: RMB110,513,000), cash and bank equivalents, restricted cash and bank deposits amounted to approximately RMB144,940,000 (2019: RMB107,694,000), prepayments, deposits and other receivables amounted to approximately RMB12,246,000 (2019: RMB23,828,000), financial assets at fair value through profit or loss amounted to approximately RMB14,848,000 (2019: RMB2,348,000) and trade receivables amounted to approximately RMB50,578,000 (2019: RMB75,767,000). Major current liabilities were trade payables, other payables and accruals and contract liabilities amounted to approximately RMB12,156,000 (2019: RMB22,090,000), approximately RMB147,380,000 (2019: RMB109,132,000) and approximately RMB1,668,000 (2019: RMB8,311,000), respectively. Non-current liabilities consists of bond payable of approximately RMB10,068,000 (2019: Nil).

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi for media and advertising business, while film and entertainment investment and prepaid card business were mainly settled in Hong Kong Dollars. The Group's cash and bank deposits are mainly 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 2020, the Group employed a total of 52 employees (2019: 51 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 Year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB10,255,000 (2019: RMB9,589,000).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group had no significant investments, material acquisition or disposal of subsidiaries, associates and joint ventures during the Year. The Group has no specific plan for material investments or capital assets as at 31 December 2020.

USE OF PROCEEDS

Pursuant to the placing of 115,200,000 new shares under general mandate completed on 14 September 2020, the Company raised approximately HK$8.9 million of net proceeds which are intended to be used for the general working capital of the Group. Up to the date of this announcement, the net proceeds have been fully utilised for the intended purpose. Details of the placing are set out in the Company's announcement dated 27 August 2020 and 14 September 2020.

PROSPECTS

Looking ahead to 2021, the Group will continue to focus on its business development on various segments, in particular the outdoor and digital advertising business and prepaid card business. The global outbreak of Coronavirus Disease 2019 (COVID-19) may continue to affect the financial performance of the Group in the year of 2021. Yet, the Group has been actively looking for opportunities for the business growth and aims to minimise the negative impact of the COVID-19. The Group has obtained a new license for the prepaid card business which is expected to boost the revenue for such segment in 2021. The Group will continue to pay close attention to the development of the COVID-19 pandemic and will work as a whole to cope with the situation, strengthen cost control and adopt appropriate measures to develop our business in the year ahead.

SHARE OPTON SCHEME

The share option scheme was adopted by the Company pursuant to a resolution in writing passed by the shareholders of the Company on 17 December 2010 (the "Share Option Scheme").

On 11 December 2020, a total of 57,600,000 share options were granted to the employees of the Group under the Share Option Scheme at an exercise price of HK$0.078 per share. The validity period of the share options is 11 December 2020 to 10 December 2022. The closing price of the Company's shares immediately before the date of grant was HK$0.045.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme during the Year. As at 31 December 2020, there were 115,200,000 outstanding share options.

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 "CG Code") contained in Appendix 15 to the GEM Listing Rules. Except for the following deviations, the Directors consider that the Company has complied with the CG Code during the Year.

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, being the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election under the articles of association of the Company.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Mr. Yau Kit Yu was unable to attend the annual general meeting of the Company held on 23 June 2020 and the extraordinary general meeting of the Company held on 8 June 2020 and Ms. Yu Shun Yan Verda and Ms. Tay Sheve Li were unable to attend the extraordinary general meeting of the Company held on 8 June 2020.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend annual general meetings. Due to other business engagement, the chairman, Mr. Ruan Deqing, was unable to attend the annual general meeting of the Company held on 23 June 2020.

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 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 of all the Directors, all the Directors confirmed that they have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) had any interests in the business that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MAJOR EVENTS AFTER THE YEAR

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, the financial performance of the Group may be affected by the COVID-19, especially in the film and entertainment segment and prepaid card business. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 CG Code. The primary duties of the Audit Committee are to review the financial statements, financial reports and accounts of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external auditors; 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 31 December 2020, the Audit Committee has two members comprising Ms. Tay Sheve Li (Chairperson), and Mr. Yau Kit Yu. During the Year, the Audit Committee had held five meetings to review the Group's quarterly, interim and annual financial results and report, the Group's risk management and internal controls for the Year and corporate governance of the Group. The Group's final results for the Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is 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, 29 March 2021

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. Lam Man Chi and Mr. Yau Kit Yu.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.