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

ANNUAL REPORT
2022

CHARACTERISTICS OF 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.

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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 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 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.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun (resigned on 14 June 2022)
Mr. Ma Pun Fai

Independent non-executive Directors

Ms. Tay Sheve Li
Mr. Yau Kit Yu
Ms. Lam Man Chi

AUDITOR

McM (HK) CPA Limited
24/F, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Yeung Man Sun (resigned on 14 June 2022)
Mr. Lam Chee Sum Eddie (appointed on 14 June 2022)

COMPANY SECRETARY

Mr. Yeung Man Sun (resigned on 14 June 2022)
Mr. Lam Chee Sum Eddie (appointed on 14 June 2022)

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li *(Chairperson)*
Mr. Yau Kit Yu
Ms. Lam Man Chi

REMUNERATION COMMITTEE MEMBERS

Ms. Tay Sheve Li *(Chairperson)*
Mr. Ruan Deqing
Ms. Lam Man Chi

NOMINATION COMMITTEE MEMBERS

Ms. Lam Man Chi (*Chairperson)*
Mr. Peng Lichun (resigned on 14 June 2022)
Mr. Ma Pun Fai (appointed on 14 June 2022)
Ms. Tay Sheve Li

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

Unit 410-412, 4/F.,
One Indigo,
20 Jiuxianqiao Road,
Chaoyang District,
Beijing,
China

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

Unit 807, 8/F.,
Tower 1
Silvercord
30 Canton Road
Tsimshatsui
Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of Communications Co., Ltd
Bank of China (HK) Limited
China Construction Bank (Asia) Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Center
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the audited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 (the "Year"). During the Year, the Group principally engaged in the provision of outdoor and digital advertising services, film and entertainment investment and prepaid card business.

FINANCIAL HIGHLIGHTS

During the Year, the Group's revenue decreased from approximately RMB97,941,000 to approximately RMB71,049,000, representing a decrease of approximately 27.5% as compared to last year, on account of the decreased revenue contributed by the outdoor and digital advertising business. During the Year, the total comprehensive expense for the year attributable to the owner of the Company was approximately RMB44,453,000, representing a decrease of approximately RMB66,011,000 or 59.8% from RMB110,464,000 as compared to last year, which was mainly due to the decrease in the provision for film rights and the impairment for prepayments for film and entertainment business recognized during the Year.

PROSPECTS

Looking ahead, the Group will continue to focus on the business development of outdoor and digital advertising business and prepaid card business. Although the COVID-19 pandemic subsides and Mainland China has opened its borders, the pace of economic recovery remains uncertain and the business environment and the financial performance of the Group may continue to be affected in the year of 2023. The Group is actively looking for business opportunities in order to achieve sustainable growth, strengthen cost control and adopt appropriate measures to develop our businesses in the year ahead.

ACKNOWLEDGEMENT

On behalf of the board (the "Board") of Directors, I would like to thank the management and all the staff for their hard work and dedication to the Group, as well as the shareholders and customers for their support over the years. The management is confident in achieving better results in the future, creating added value for the Group, shareholders and all staff.

Ruan Deqing
Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The principal business of the Group during the Year included outdoor and digital advertising, film and entertainment investment and prepaid card business. The Group's total revenue for the Year amounted to approximately RMB71,049,000, representing a decrease of approximately RMB26,892,000 or 27.5% as compared to approximately RMB97,941,000 for last year, mainly contributed by the decrease in sales demand, in particular outdoor and digital advertising business, as the COVID-19 pandemic continues and the fierce competition in the industry which led to reduced number of customers.

Overall gross profit increased by approximately RMB1,508,000 or 11.9% to approximately RMB14,195,000 for the Year from approximately RMB12,687,000 for last year. The gross profit margin for the current period increased to 20.0% from 13.0% in last year. The Group recorded a total comprehensive expense for the year attributable to the owners of the Company of approximately RMB44,453,000 during the Year, representing a decrease of approximately RMB66,011,000 or 59.8% when compared to approximately RMB110,464,000 for last year. The decrease was mainly due to the decrease in the provision for film rights and the impairment for prepayment for film and entertainment business recognized during the Year.

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 trains and selected regular trains in the People's Republic of China. With phasing out of the printed media advertising, no revenue was generated during the Year (2021: Nil).

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 decreased by approximately RMB23,828,000 or 40.2% from approximately RMB59,309,000 for last year to approximately RMB35,481,000 for the Year. It was mainly due to the fierce competition in the industry which led to decrease in number of customers.

Segment results of outdoor and digital advertising business turnaround from a segment profit of approximately RMB2,935,000 for last year to a segment loss of approximately RMB2,446,000 during the Year. The turnaround was due to lower revenue recognised during the Year.

Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. Revenue from the distribution of film rights and entertainment was recognised when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured.

Revenue from film and entertainment investment decreased by approximately RMB2,371,000 or 14.4% from approximately RMB16,501,000 for last year to RMB14,130,000 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.

Segment loss from film and entertainment business for the Year amounted to approximately RMB47,999,000, representing a decrease of approximately RMB52,248,000 or 52.1% as compared to that of last year. The decrease was mainly attributable to the decrease in the impairment for prepayment for film and entertainment business and the provision for film rights recognized during the Year as compared to that of last year.

The film industry in the PRC has been 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. On top of that, the film and entertainment industry has been changed during the pandemic, companies that engaged in online streaming platforms and film production have been rapidly expanding globally. The film and entertainment investment business is capital intensive, it is challenging for the Group to compete with those competitors who could devote more resources. The capital market has became more rational in its investments in the film industry since the risks in the film and television industry have increased significantly given the international and the PRC environment, technological changes, regulatory systems, and changes in the social environment. As a result, a number of small to medium-sized film production companies were facing severe financial difficulties or even closed down.

In line with the industry norm, the Group is required to contribute investment amount at the early stage of the production, so as to support the upfront costs required during the production process. The prepayments primarily represent production costs, design and promotion fees prepaid to the relevant independent third-party service providers. The Group has assessed the creditworthiness of all service providers before entering into agreements with them.

The recognition of the provision for film rights and impairment for prepayment was mainly due to the uncertainty on recoverability of the prepayments made to certain production companies who are independent third parties and the unfavorable expected results of film rights. The management identified that certain production companies that the Company signed contract with are having financial difficulties or have gone out of business. In addition, the management observed several film productions were delayed significantly or might generate far below income as initially expected, the management must make the rationale decision to cut further loss or cease further investment on those film productions. Annual assessment on the progress of utilization and the recoverability of the prepayments as well as the future economic benefits of the film rights were made. The Group has issued demand letters for the remaining balance of prepayments and has been negotiating with the production companies for the repayment plans. At the same time, the Group has been seeking legal opinion and would take legal action against those companies if no positive results on the repayment arises. The Group will continue to use its best effort to liaise with those companies in order to recover the prepayments.

Management will continue to 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 business 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 slightly decreased by approximately RMB693,000 or 3.1% from approximately RMB22,131,000 for last year to approximately RMB21,438,000 for the Year.

Segment profit from the prepaid card business decreased by approximately RMB1,932,000 or 48.7% from RMB3,964,000 for last year to approximately RMB2,032,000 for the Year. It was mainly contributed by the decreased revenue and higher administrative costs incurred during the Year.

Other Income

Other income mainly consists of bank interest income, government grant and income received from managing a prepaid card sales counter for a co-branded partner. Other income increased from approximately RMB2,265,000 for last year to approximately RMB4,687,000 for the Year, representing an increase of approximately RMB2,422,000 or 106.9%. The increase was mainly contributed by the 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 decreased from approximately RMB85,254,000 for last year to RMB56,854,000 for the Year, representing a decrease of approximately 33.3%. The decrease was in line with the decrease in revenue for the Year.

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 4.8% and 1.9% of the Group's total revenue for the years ended 31 December 2021 and 2022, respectively. The amount decreased by approximately 71.8% from approximately RMB4,715,000 for last year to approximately RMB1,329,000 for the Year, which was mainly due to the implementation of cost control measures during the Year.

Administrative Expenses

Administrative expenses mainly consists of salaries, depreciation of fixed assets, rental expense and legal and professional fees. Administrative expenses increased by approximately 30.6% from approximately RMB28,061,000 for last year to approximately RMB36,647,000 for the Year. The increase was mainly due to the share-based payment expenses and higher corporate expenses incurred.

Other Gains and Losses

Other gains and losses turnaround from other gains of approximately RMB4,740,000 for last year to other losses of approximately RMB8,339,000 for the Year. It was mainly due to the fair value loss on financial assets at fair value through profit or loss recognised during the Year.

Income Tax Expense

No income tax expense was recognized for the Year (2021: nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's cash and cash equivalents, including bank balances and cash on hand, amounted to approximately RMB2,941,000, representing a decrease of approximately RMB9,888,000 or 77.1%, as compared to approximately RMB12,829,000 as at 31 December 2021.

As at 31 December 2022, the current ratio was approximately 1.23 (2021: 1.51) and the gearing ratio of the Group was approximately 0.33 (2021: 0.17) 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 2022, none of the assets of the Group has been pledged to secure any loan granted to the Group (31 December 2021: approximately RMB2,760,000 of pledged bank deposit was pledged to secure bank facilities).

RESTRICTED CASH

As at 31 December 2022, the Group has approximately RMB233,463,000 (2021: RMB175,122,000) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts. The increase in restricted cash by approximately 33.3% when compared to last year's was contributed by increase in the amount of prepaid cards sold.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group did not have any significant capital commitments (2021: Nil).

CAPITAL STRUCTURE

Details of the Company's share capital are set out in note 25 to the consolidated financial statement in this annual report.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and Hong Kong with most of the transactions settled in Renminbi and 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 2022, the Group employed a total of 28 employees (2021: 39 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 RMB13,526,000 (2021: RMB11,105,000).

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 2022.

CORPORATE GOVERNANCE REPORT

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's corporate governance practices are based on the principles of good corporate governance as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code"). To the best knowledge of the Board, the Company has complied with the CG Code during the Year.

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.

THE BOARD

The Board comprises the following Directors:

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun (resigned on 14 June 2022)
Mr. Ma Pun Fai

Independent non-executive Directors

Ms. Tay Sheve Li
Mr. Yau Kit Yu
Ms. Lam Man Chi

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 37 to 38 in this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group. During the Year, the Company has complied with the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise.

The Board is committed to reviewing and assessing the independence of the independent non-executive Directors. The Group has established a policy regarding mechanisms to ensure independent views and input are available to the Board and such policy will be reviewed annually by the Board. Key mechanisms as set out in the policy include, but not limited to, the following:

a) At least three Directors or one-third of the Board, whichever is the higher, are independent non-executive Directors.

b) Apart from complying with the requirements prescribed by the GEM Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to all Board committees as far as possible to ensure independent views are available.

c) The nomination committee of the Company must strictly adhere to the nomination policy and the independence assessment criteria as set out in the GEM Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

d) Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence and must provide an annual confirmation of his independence to the Company.

e) The nomination committee of the Company is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the GEM Listing Rules to ensure that they can continually exercise independent judgement.

f) The Board have full and unrestricted access to the advice and services of the senior management personnel and/or the company secretaries in the discharge of the Board's duties and responsibilities. The Board is also allowed to seek advice from independent professional advisers when necessary at the expense of the Company to allow them to discharge their duties effectively. All independent non-executive Directors have access to the executive Directors and/or senior management personnel should there be any explanation or clarification needed on any aspects of the Group's operations and/or management issues.

g) The Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

h) The Chairman of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers all the independent non-executive Directors to be independent.

Responsibilities and Delegation of Functions

The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluating operating activities and financial performance of the Group.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the "Company Secretary") and senior management of the Company, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Group are delegated to the senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board's decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing to ensure a balance of power and authority. Mr. Ruan Deqing serves as the Chairman of the Company and is responsible for overall business development strategy and major business decisions of the Group. The executive Directors, department heads and various committees collectively oversees the day-to-day management and operations of the Group, which fulfils the function of chief executive officer in substance.

Appointment and Re-Election of Directors

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to code provision B.2.3, if an independent non-executive Director has served more than nine years, such director's further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should state why the Board (or the nomination committee) believes that the Director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the nomination committee) in arriving at such determination.

Ms. Tay Sheve Li has served as the independent non-executive Director for more than 9 years. The re-election of Ms. Tay Sheve Li should be subject to a separate resolution to be approved by shareholders at the forthcoming general meetings of the Company.

Term of Appointment of Directors

Please refer to the paragraph headed "Report of the directors – Directors' service agreements" in this annual report for the term of appointment of the Directors, including the independent non-executive Directors.

Board Diversity Policy

The Company adopted a board diversity policy (the "Board Diversity Policy") on 12 August 2013. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

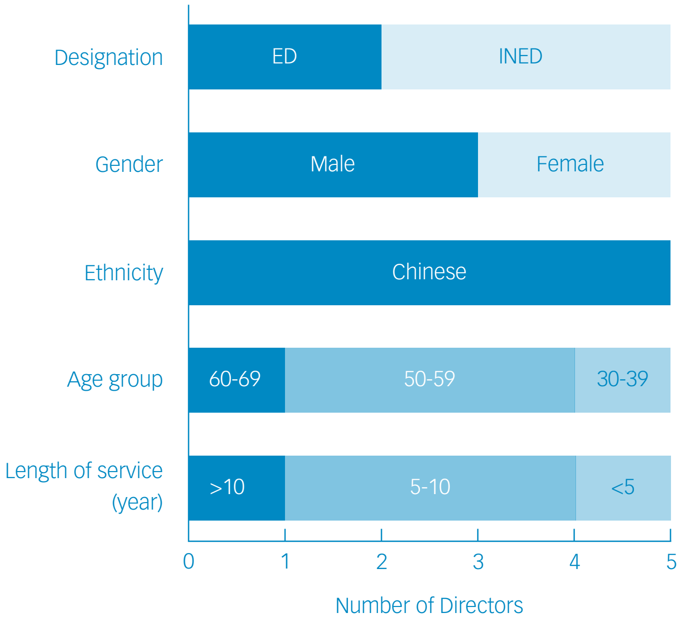
Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aims at setting out the approach to achieve diversity of the Board. In determining the Board's composition, difference in the skills, regional and industry experience, background, ethnicity, gender, length of service and other qualities of Directors will be taken into account. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regards to the benefits of diversity of the Board.

Measurable objectives

For the purpose of implementing the Board Diversity Policy, the Board has adopted and the Company has achieved a range of measurable objectives including (i) to ensure at least one member of the Board shall have obtained accounting or other professional qualification; (ii) to ensure the Board has members of both gender; (iii) to ensure the age distribution of the members of the Board comprised of people from at least two decades. As at the date of this report, the Board's composition under major diversified perspectives was summarised as follows:

Board Diversity



INED: Independent non-executive Director
ED: Executive Director

As at 31 December 2022, the Group had 16 male employees and 12 female employees and the male-to-female ratio in the workforce, including the senior management, was approximately 57%:43%, which is regarded by the Board as satisfactory. The Company will continue to take gender diversity into consideration during recruitment and identify a pipeline of potential successors to the Board with the ultimate goal of achieving gender parity. The Board will periodically monitor the gender composition of the workforce and set targets if and as needed.

Implementation and monitoring

The Board and the nomination committee of the Board (the "Nomination Committee") has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the Year. The Nomination Committee will review the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy annually.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

The following is the Directors' attendance record of the board meetings held by the Board and the general meetings of the Company during the Year:

	Attended/eligible to attend	
	Board meeting	**General meeting**
Mr. Ruan Deqing	8/8	2/2
Mr. Peng Lichun (resigned on 14 June 2022)	4/4	0/0
Mr. Ma Pun Fai	8/8	2/2
Ms. Tay Sheve Li	8/8	2/2
Ms. Lam Man Chi	8/8	2/2
Mr. Yau Kit Yu	8/8	2/2

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meeting and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days or such other period as agreed before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open to Director for inspection. The Company's articles of association contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Continuous Professional Development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. Continuing briefings and professional development to Directors will be arranged whenever necessary.

For the Year, all Directors had participated in continuous professional development in compliance with code provision C.1.4 of the CG Code by attending training seminars/courses and/or reading materials regarding updates on the GEM Listing Rules and relevant regulatory requirements.

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the Nomination Committee, with written terms of reference which are available for viewing on the website of the Stock Exchange and the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

Audit Committee

The Company established the Audit Committee on 17 December 2010 with written terms of reference in compliance with the GEM Listing Rules. 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 the CG Code.

As at 31 December 2022, the Audit Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Mr. Yau Kit Yu and Ms. Lam Man Chi. During the Year, the Audit Committee had held four 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 and making recommendations to the Board on the appointment and removal of the external auditor. 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.

The attendance of each member of the Audit Committee is set out in the following table:

	Number of attendance/ number of meeting eligible to attend
Ms. Tay Sheve Li *(Chairperson)*	4/4
Ms. Lam Man Chi	4/4
Mr. Yau Kit Yu	4/4

Remuneration Committee

The Company established the Remuneration Committee on 17 December 2010 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the policy and structure of the remuneration of all Directors and senior management as well as the remuneration packages of Directors and senior management, including benefits in kind, pension rights and compensation payments, and ensure none of the Directors or any of their associates will determine his/her own remuneration.

As at 31 December 2022, the Remuneration Committee has three members comprising Ms. Tay Sheve Li (Chairperson), Mr. Ruan Deqing and Ms. Lam Man Chi. During the Year, the Remuneration Committee has held one meeting to review the remuneration policy and structure and the remuneration packages of Directors and the senior management of the Company. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions.

The attendance of each member of the Remuneration Committee is set out in the following table:

	Number of attendance/ number of meeting eligible to attend
Ms. Tay Sheve Li *(Chairperson)*	1/1
Ms. Lam Man Chi	1/1
Mr. Ruan Deqing	1/1

Nomination Committee

The Company established the Nomination Committee on 17 December 2010 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and to make recommendations on any proposed change to the Board, identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors and make recommendation to the Board on the Company's board diversity policy and nomination policy.

As at 31 December 2022, the Nomination Committee has three members comprising Ms. Lam Man Chi (Chairperson), Ms. Tay Sheve Li and Mr. Ma Pun Fai. During the Year, the Nomination Committee has held two meetings to review the structure, size and composition (including the skills, knowledge and experience and diversity) of the Board, to review the board diversity policy and nomination policy, make recommendation on the appointment, removal and re-appointment of Directors and assess the independence of independent non-executive Directors.

The attendance of each member of the Nomination Committee is set out in the following table:

	Number of attendance/ number of meeting eligible to attend
Ms. Lam Man Chi *(Chairperson)*	2/2
Ms. Tay Sheve Li	2/2
Mr. Peng Lichun (resigned on 14 June 2022)	1/1
Mr. Ma Pun Fai (appointed on 14 June 2022)	0/0

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders of the Company are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success, willingness and availability to dedicate sufficient time and attention to ensure the diligent performance of duties in concurrence with his/her other major appointments and significant commitments and such other factors as it may deem are in the best interests of the Company and its shareholders.

The Company shall review and reassess the nomination policy and its effectiveness annually or as required.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. For further details of the responsibilities of the Directors for the consolidated financial statements, please refer to the paragraph headed "Independent auditors' report – Responsibilities of directors and audit committee for the consolidated financial statements" in this annual report.

INDEPENDENT AUDITORS' REMUNERATION

During the Year, the remuneration paid or payable to the auditor of the Company in respect of the statutory audit services was approximately RMB534,000 (2021: RMB506,000).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the shareholders and the assets of the Company. The Board oversees the Group's overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified.

2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented.

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control systems.

The risk management framework, coupled with our internal controls, ensures the risk associated with our different business units are effectively controlled in line with the Group's risk appetite.

The Group has engaged an external consultant to conduct an annual review on the effectiveness of the risk management and internal control system of the Group during the Year. The review covers certain procedures on the Group's operation and the external consultant had made recommendations for improving and strengthening the risk management and internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. Accordingly, the Board considers that the risk management and internal control systems of the Group as effective.

The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequacies of resources, staff qualifications and experience training programs and budget of accounting and financial reporting function and the Board concluded that the Group's risk management and internal control systems were in place and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

SHAREHOLDERS' COMMUNICATION POLICY AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company adopted the shareholders' communication policy which sets out the Group's commitment of and channels for maintaining an effective ongoing dialogue with shareholders. The shareholders' communication policy is reviewed by the Board on a regular basis.

The Company has established a range of communication channels between itself and the shareholders, its investors and other stakeholders. These include annual general meetings, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.china33media.com. The general meetings of the Company provide a forum for dialogue and interaction between the Board and the shareholders. The Board encourages and welcomes participation from shareholders to ask questions regarding the resolution being proposed at the meeting and also other matters pertaining to the business activities of the Group.

The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that it is effective for the Board to understand the views and opinion of the shareholders through the available channels during the Year. The Company continues to enhance the communication and relationship with its investors. Enquiries from investors are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHT

As one of the measures to safeguard shareholder's interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to article 64 of the articles of association of the Company, an extraordinary general meeting of the Company (the "EGM") may be convened by the Board on requisition of one or more shareholders (the "Requisitionist(s)") holding at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meeting (the "Requisition"). Such Requisition shall be made in writing to the Directors or the Company Secretary and sent to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report). For the purpose of requiring an EGM to be called by the Directors, such Requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists. The EGM shall be held within two months after the deposition of such Requisition. If the Board fails to proceed to convene such EGM within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for raising enquiries

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this annual report).

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

To put forward proposals at a general meeting of the Company, shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information to the Company's principal place of business in Hong Kong (details of which are set out in the section headed "Corporate Information" of this annual report).

The identity of such shareholder and his/her/its request will be verified with the Company's Hong Kong share registrar and upon confirmation by the Hong Kong share registrar that the request is proper and in order and made by a shareholder of the Company, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders of the Company for consideration of the Proposal raised by such shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires approval in an annual general meeting;

(2) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting; and

(3) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval in an extraordinary general meeting other than by way of a special resolution of the Company.

CONSTITUTIONAL DOCUMENTS

There had been no change in the Company's constitutional documents during the Year.

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") APPROACH

China 33 Media Group Limited (the "Company" or "China 33") and its subsidiaries (collectively, the "Group", "we", "us" or "our") have always followed the business philosophy of integrating corporate social responsibility (CSR) into our operations and development over the years. The Group always strives to conduct our media business from an ethical and professional perspective. To achieve sustainability, the Group also advocates environmental protection and works with charities to contribute to the community and create long-lasting value in various ways.

The Board of Directors (the "Board") strongly believes that a sound governance structure is critical to the effective management and implementation of ESG-related issues. The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for overseeing the Group's corporate governance and the overall ESG management approach, and supervises in the data collection, preparation and review of the Environmental, Social and Governance Report (the "ESG Report").

On an operation level, our ESG Working Group works with internal departments across the Group to integrate sustainability into day-to-day operations. The ESG Working Group regularly reports to the Board to ensure appropriate execution and risk management on sustainability. Through regular meetings and discussions with the Board, the ESG Working Group plans and implements various policies, guidelines, measures and programme which contribute to our sustainable development.

ABOUT THIS REPORT

Unless otherwise specified, this ESG Report covers our progress and performance on the environmental, social and governance ("ESG") issues from 1 January 2022 to 31 December 2022 (the "Reporting Period"). It focuses on the core activities of the Group, which include outdoor and digital advertising, film and entertainment investment and prepaid card business.

This ESG Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The ESG Report has been prepared based on four reporting principles, including materiality, quantitativeness, balance and consistency.

1. Materiality: ESG issues that have major impacts on investors and other stakeholders must be set out in this ESG Report.

2. Quantitative: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.

3. Balance: This ESG Report must provide an unbiased picture of the ESG performance of the Company. It should avoid selecting, omitting, or presenting formants that may inappropriately influence a decision or judgement by the reader.

4. Consistency: This ESG Report should use consistent statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the ESG Report.

STAKEHOLDER ENGAGEMENT

The Group values the concerns and interests of each stakeholder highly, commits to enhancing communication with and the engagement of stakeholders and deepening operational transparency, and seeks win-win development with stakeholders. The table below lists the Group's stakeholders, and illustrates our communication and response measures:

Stakeholder Group	Specific Stakeholders	Methods of Communication
Investors	• Shareholders	• Corporate website • Annual, interim & quarterly financial reports • Annual general meetings
Employees	• Senior management • Staff • Potential recruits	• Training, seminars • Face-to-face meetings • Independent focus groups and interviews • CSR and volunteering activities
Customers	• Buyers • Ultimate users	• Customer satisfaction survey • Client feedback survey
Government	• National and local governments • Regulators	• Written correspondence
Community and the public	• Local community associations	• Charity • Volunteer services

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues that are pertinent to the Group and its stakeholders are identified through materiality assessment, which is a crucial step in developing the sustainability strategy. An issue is considered material when it may substantially affect our long term commercial and operational viability and the inclusion of sustainability agenda into its business development strategy. By conducting a materiality assessment, the Group has identified the ESG issues listed in the table below that are relevant and important to our operations.

Aspects	Material ESG Issues
B. Social Aspect	
B1. Employment	• Employee welfare • Inclusion and equal opportunities • Talent attraction and retention
B2. Health and Safety	• Occupational health and safety
B3. Development and Training	• Development and training
B4. Labour Standards	• Prevention of child and forced labour
B5. Supply Chain Management	• Supply chain management
B6. Product Responsibility	• Protection of intellectual property rights • Protection of customer privacy
B7. Anti-corruption	• Corporate governance • Anti-corruption

ENVIRONMENTAL ASPECTS

EMISSIONS

Although the Group's principal activities did not generate any significant emissions, we are dedicated to ensuring sustainable development and protecting the environment from any potential impact from our daily business operations. The Group embraces the "Reduce, Reuse & Recycle" philosophy and applies it at every stage of its operations, to all types of emissions, including regulated air emissions, waste and wastewater.

During the Reporting Period, the Group did not violate any environmental protection laws and regulations that had a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

Greenhouse Gas Emissions

During the Reporting Period, the total greenhouse gas emissions of the Group were 10.1 tonnes of carbon dioxide equivalent ("tonnes CO_2-e") (2021: 6.5 tonnes CO_2-e, 2020: 16.6 tonnes CO_2-e), which were mainly due to the indirect greenhouse gas emissions emitted from the consumption of fossil fuels due to office electricity purchased (scope 2 emissions); and the paper waste disposed at landfills (Scope 3 emissions) and the greenhouse gas intensity was 0.36 tonnes CO_2-e per full-time employee (2021: 0.17 tonnes CO_2-e per full-time employee, 2020: 0.46 tonnes CO_2-e per full-time employee). The Group is dedicated to energy saving and implemented suitable energy-saving measures. LED lights were installed to reduce energy consumption and thus the greenhouse gas emissions. The emissions data by emission scope are as follows:

Greenhouse gas emissions	**2022**	2021	2020	Unit
Scope 1 emissions	**–**	–	–	tonnes CO_2-e
Scope 2 emissions	**6.3**	6.5	16.6	tonnes CO_2-e
Scope 3 emissions	**3.8**	–	–	tonnes CO_2-e
Total greenhouse gas emissions	**10.1**	6.5	16.6	tonnes CO_2-e
Intensity (by employee)	**0.36**	0.17	0.46	tonnes CO_2-e/employee

The Group is developing its long-term reduction targets. In short term, the Group targets to reduce the greenhouse gas emissions level by 5% by 2023 with the baseline year in 2022.

Waste Management

The Group adopts strict wastage management policies and strives to properly handle and dispose of waste generated from our operations. The Group not only maintains ink and toner cartridge recycling bins at our offices but also collects and recycles used coffee casings and pods. We encourage double-sided printing and the use of electronic documents and remind our employees to earmark double-printed paper for recycling to reduce solid waste from our offices.

During the Reporting Period, the Group produced 0.89 kg of hazardous waste (2021: 0.90 kg, 2020: 0.84 kg). All of them were used ink and toner cartridges, which were sent to recycling. The Group also produced 1.00 tonnes of non-hazardous waste (2021: 1.84 tonnes, 2020: 0.15 tonnes), which mainly consisted of recyclable office paper.

Other general office wastes were handled by the sorting and recycling facilities provided by the property management companies of the buildings in our offices. The Group targets to reduce the intensity level of hazardous and non-hazardous waste generation by 1% by 2023 with the baseline year in 2022.

	2022	2021	2020	Unit
Hazardous waste				
Total hazardous waste produced	**0.89**	0.90	0.84	kg
Intensity (by employee)	**0.03**	0.02	–	kg/employee
Non-hazardous waste				
Total non-hazardous waste produced	**1.00**	1.84	0.15	tonnes
Intensity (by employee)	**0.036**	0.047	–	tonnes/employee

USE OF RESOURCES

To enhance its operational efficiency and reduce the impact of its business on the environment, the Group embraces and applies the "Reduce, Reuse & Recycle" philosophy in its daily operations. The Group has put in place a number of environmental measures, such as energy initiatives, in its office premises. The Group systematically manages the environmental impact of its operations and strengthens the sustainability awareness of each of its employees. We committed to continuously increase the efficiency of energy use and become a sustainable corporation.

Energy Use and Efficiency

The Group's business activities do not involve direct use of energy. Office lighting and air-conditioning are the major components of our energy consumption. Hence, improving the efficiency of electricity use is our biggest challenge. During the Reporting Period, the Group's total energy usage was 16.2 megawatt-hours ("MWh") (2021: 17.7 MWh, 2020: 32.6 MWh), with an energy intensity of 0.58 MWh per full-time employee (2021: 0.45 MWh per full-time employee, 2020: 0.91 MWh per full-time employee).

To improve energy efficiency, we adopted energy-efficient lighting systems and set up policies, including installing LED lights, switching off lighting or air-conditioning after office hours and in rooms that were unused. The Group targets to reduce the energy consumption level by 1% by 2023 with a baseline year in 2022.

Direct and indirect energy consumption	**2022**	2021	2020	Unit
Direct energy consumption	**–**	–	–	GJ
Indirect energy consumption	**16.2**	17.7	32.6	MWh
Total energy consumption	**16.2**	17.7	32.6	MWh-e
Intensity (by employee)	**0.58**	0.45	0.91	MWh-e/employee

Water Use and Efficiency

The Group's water supply is sourced and provided by the office property management. Although obtaining statistics regarding the individual use of water may be difficult, the property management has predetermined water usage limits which we have not exceeded in the Reporting Period. The water consumption of the Group is minimal and was included in the management fee and therefore the Group is unable to set a water reduction target at the current stage.

To reduce water usage, we will develop more effective water efficiency initiatives and reveal relevant results on an ongoing basis.

Use of Packaging materials

The packaging materials used in the Group's prepaid card business totalled 0.21 tonnes (2021: 0.13 tonnes, 2020: 0.18 tonnes). All of which were degradable environmentally friendly materials.

Packaging material for finished products	**2022**	2021	2020	Unit
Total packaging material used	**0.21**	0.13	0.18	tonnes
Intensity (by employee)	**7.36**	3.45	–	kg/employee

THE ENVIRONMENT AND NATURAL RESOURCES

Although the Group does not have significant impacts on the environment and seldom involves direct use of natural resources, we still strive to improve waste management mechanisms. To reduce negative impacts on forests and to act responsibly towards the environment, we have sourced paper certified by the Forest Stewardship Council for the issuance of our annual report and encouraged double-sided printing on a variety of documents. When pursuing sustainability and a greener environment, the Group regularly performs evaluations with staff and stakeholders to look for improvements in our operations and reduce our impact on the environment.

CLIMATE CHANGE

Climate change is the biggest environmental challenge in the recent years. Climate change encompasses not only rising average temperatures but also extreme weather events, shifting wildlife populations and habitats, rising seas, and a range of other impacts. The emission of greenhouse gases is the major factor contributing to climate change and global warming.

The Group principally engaged in prepaid card business; investment on film and entertainment; printed media advertising business and outdoor and digital advertising business. Since its operation mainly involves the use of the internet and technology platforms, the acute impacts affecting our business due to climate change is not significant.

Besides, the potential risks on climate change may include the shift of customer needs for our printed media advertising business. Fewer customers may choose to advertise on the printed media as it may shift the demand from printed media business to digital advertising. Apart from the market risks, the more frequent and severe extreme weather may hinder the productivity of the daily operation and pose danger to the employee when commuting. The Group will further investigate the possibilities and review the existing policies.

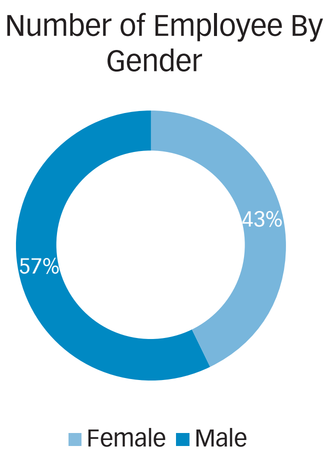
EMPLOYMENT AND LABOUR STANDARDS

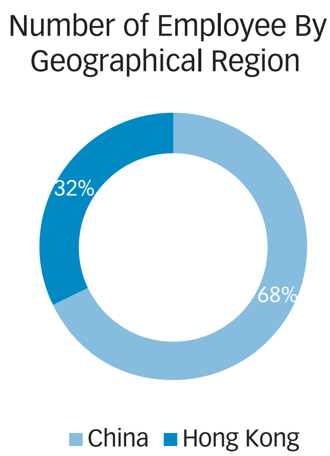
EMPLOYMENT

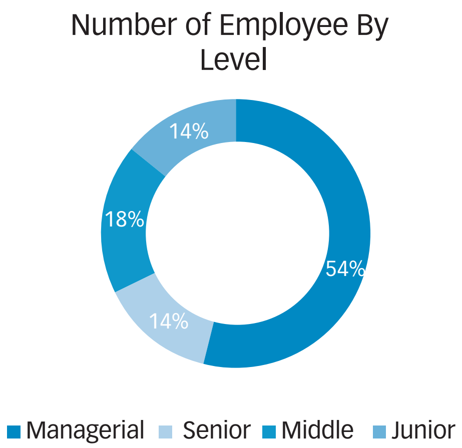
Employees are valuable resources to the Group. The Group aims to provide a safe and healthy environment for the whole workforce and has taken appropriate measures to safeguard the wellbeing and safety of our employees. The Group also encourages career development and training while advocating for a healthy work-life balance. To maintain an advantage in a highly competitive industry, the Group sees the professional team as its most treasured asset. The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance. The Group has also entered into a labour contract with each of its PRC employees in compliance with the Labour Law of the PRC.

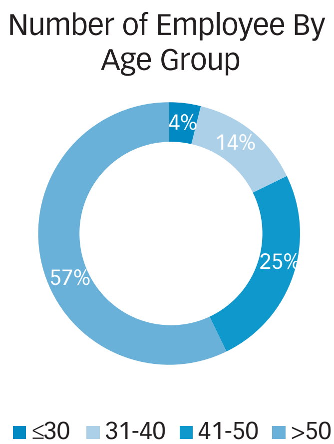
In addition, the Group adheres to its principles and strictly follows the regulations in respect of recruitment, promotion, dismissal, work hours, rest hours, equal opportunities, diversity of culture, and anti-discrimination. During the Reporting Period, the Group has not noted any cases of non-compliance in relation to employment and labour laws and regulations.

As at the end of the Reporting Period, the Group had a total of 28 employees (2021: 39, 2020: 52), and 27 of whom were full-time employees. The charts and table below show the composition of staff according to gender, geographical region, level and age group.









Employee Welfare

The Group strictly follows labour laws and regulations, and provides comprehensive leave packages to employees, covering sickness, casual, marriage, funeral, maternity, annual, and injury leave, as well as statutory holidays. The welfare provisions aim to take care of all employees, broaden the range of corporate cultural activities, and increase the sense of belonging of the employees.

We respect our employees' family roles and responsibilities. We are committed to supporting them and maintaining a family-friendly work environment. The Group's employees have a five-day workweek so they can spend more time with their families. As breastfeeding is the superior form of infant nutrition, it provides a multitude of health benefits to both infants and mothers. We provide breastfeeding rooms in our workplace to foster a mother-friendly culture, as breastfeeding employees need ongoing support for providing their milk for their babies in the workplace.

To further enhance our employee welfare support, male employees are entitled to 5 days of paternity leave, allowing them more time to take care of their families. Medical insurance is provided to the spouses and kids of manager grade or above employees for those who work in the Hong Kong office. We also offer birthday leave to our employees in Hong Kong office.

HEALTH AND SAFETY

To safeguard employees' occupational health and safety, the Group works hard to provide a safe, healthy and comfortable working environment. It has complied with the Employee's Compensation Ordinance of Hong Kong, the Labour Law of the PRC and other applicable regulations. Employees are asked to stringently abide by all safety rules and regulations, and make available and applicable protection measures at all times to avoid accidents and protect themselves and co-workers from safety risks, in accordance with the relevant laws and regulations.

The Group complies with the health and safety regulations of the Occupational Safety and Health Ordinance and formulates requirements for environmental control and hygiene at the workplace. In order to reduce the chance of employees suffering from respiratory infections, we issue influenza notifications, when necessary, to encourage preventive measures, such as the preparation of hygiene masks and disinfectant hand sanitizers for staff to use at any time. During the outbreak of the COVID-19, the Group has invested adequate resources to provide face masks to staff and install more air diffusers.

The Group did not identify any casualties or accidents in the past three years. In the Reporting Period, the Group did not identify any material non-compliance of laws and regulations with significant impact to the Group in relation to workplace health and safety.

	2022	2021	2020
Number of work-related fatalities	**0**	0	0
Rate of work-related fatalities	**0%**	0%	0%
Lost days due to work injury	**0**	0	0

DEVELOPMENT AND TRAINING

The Group views employee growth and development as being of vital importance for the enterprise's long-term development. It attaches great importance to retention, education and development of a rich variety of high-end talent, and provides such talent with broad development platforms and ample training.

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development. Customised training programmes, in areas such as internal control training and anti-money laundering, are arranged on an ongoing basis for staff members at different levels and across the organisation throughout the Group.

During the Reporting Period, a total of 16 Hong Kong employees were given training, accounting for 57% of the total employees. Of the employees trained, 50% were female and 50% were male, with average training hours of approximately 1.00 and 1.13 hours per employee respectively.

The Group recognises the importance of the self-development of its staff and has to ensure equal opportunities of training for different levels of staff. During the Reporting Period, the percentages of employees participating in training activities for managerial, senior staff, mid-level staff and the junior staff were 38%, 25%, 38% and 0% respectively. The average durations of training activities for the employee by categories were 0.90 hour, 1.88 hour, 1.80 hour and 0 hour respectively.

LABOUR STANDARDS

The Group has formulated comprehensive human resource policies, and stated the same expressly in its Staff Manual or Staff Information materials for colleagues, laying down the rules affecting personnel. In addition to compliance with basic labour laws, the Group also formulates and implements human resource policies when necessary, and provides benefits above those required by law. To ensure diversity and equality, our selection process is non-discriminatory and is based solely on employees' performance, experience and skills. Employees are also encouraged to discuss with senior management their goals for job advancement and career development in daily activities. A performance appraisal is conducted annually.

The Group resolutely rejects the use of child or forced labour. In order to prevent illegal use of child or forced labour, the human resource department of the Group requires candidates to provide effective identification certification before confirmation of employment to ensure they can be employed according to the law. The Group has not noted any cases of non-compliance in relation to employment and labour laws and regulations and do not engage in any forced or child labour during the Reporting Period.

OPERATING PRACTICES AND SOCIAL INVESTMENT

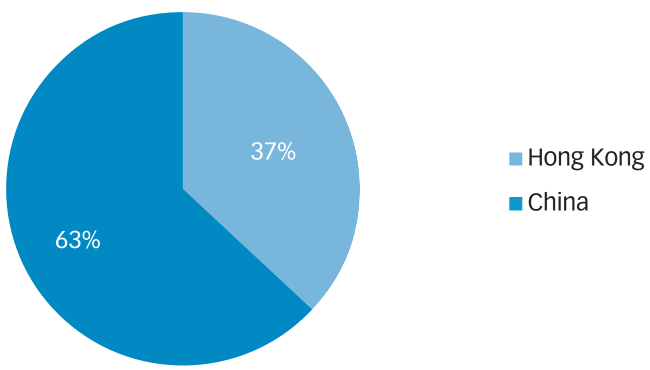
SUPPLY CHAIN MANAGEMENT

We consider our suppliers as strategic partners and contributors to our businesses, and we are committed to building long-term relationships with suppliers who share our values. The Group has a procurement policy which sets out criteria for evaluation of our suppliers. The factors taken into account for selection include: what kind of environmental protection facilities the potential supplier has set up, whether its environmental protection performance has credentials from any well-recognised and legitimate organisation, and whether the potential supplier has participated in any cultural preservation, charitable or community care activities.

As our advertising business and film and entertainment investment target the Chinese market, suppliers from China have dominated our resource supply chain. During the Reporting Period, the Group had an aggregate of 24 suppliers.

To foster collaboration with suppliers, during the procurement process both parties must sign essential policies and agreements while also regularly holding meetings to sustain cooperation from each side.

Supplier Distribution by Geographical Region



PRODUCT RESPONSIBILITY

Product Quality

The Group is committed to offering quality products and services to its customers. By formulating and implementing product quality standards, the Group closely monitors the work of every employee in the production process to ensure compliance with requirements in respect of procedures, regulations and systems. The products under research and development should meet preliminary planning requirements, thus ensuring the final quality of the products. The Group is dedicated to strengthening its information security systems to protect the data privacy of customer service users, in accordance with the relevant laws and regulations of the places where the Group's operations are carried out.

In the Reporting Period, we received 9 cases of complaints regarding our products and services, which have been referred to and resolved by the Group's customer service division. Following on these complaints, the Group has reacted by printing the valid until dates onto the cards to reduce unnecessary inquires. The Group offers clients maintenance services via a customer service hotline. These services offer continuous technical support and solutions to customers and theatres nationwide.

User Data Protection

As our prepaid card business continues to grow, the Group has accumulated a large amount of user data. The Group prioritises the protection of customer information and personal privacy and has in place a complete set of mechanisms and systems for the management of information security in compliance with relevant laws and regulations. Security issues are factored into electronic systems at an early stage of development, and they are equipped with strong firewalls to prevent hacking and divulgence of information.

More specifically, the Group has established a Privacy Policy as a commitment to the protection of personal privacy in compliance with the Personal Data (Privacy) Ordinance, the Payment Card Industry Data Security Standard (PCI DSS) Requirements and the Security Assessment Procedures. In addition, optical discs and data stored in applications are placed in locked storage rooms. During the Reporting Period, the Group has not noted any cases of non-compliance in relation to data privacy laws and regulations, such as the Personal Data (Privacy) Ordinance.

Also, the Group has set up a Business Continuity Plan ("BCP") covering short or long-term disaster scenarios that the Group may have to handle, including the complete destruction of the building in which the primary office is located and the possible need for backup facilities over an extended period.

We fully understand the importance of a stable and secure internet network to our customers and our products, so an Information Technology ("IT") Disaster Recovery Plan is in place and can be put into operation by the IT Unit and outside vendors to restore data centre services at a backup site within 24 hours. Meanwhile, the BCP is separate from the Group's IT Disaster Recovery Plan, which focuses on technology facilities and platforms, such as critical applications, databases, servers or other required technology infrastructure.

Intellectual Property Rights

In order to maintain and protect our intellectual property, we have also registered our copyrights with relevant government authorities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ANTI-CORRUPTION

The Group is committed to eliminating all fraud and corruption activities and resolutely adheres to its principles of education, supervision, precautions and controls. Internally, the Group has set up an Anti-Money Laundering Committee, which is comprised of the Chief Executive Officer, Chief Operating Officer, Chief Compliance Officer. The Committee is responsible for developing, enhancing and maintaining the Group's compliance culture, with regular training, policies and procedures to raise compliance awareness among staff. Under the Group's policy, all new staff members are strictly required to undergo adequate Anti-Money Laundering training in their staff orientation.

The committee is devoted to upholding the standards of business conduct, strengthening anti-corruption awareness of staff and establishing an anti-corruption structure, playing an effective supervisory role. Once identified, all corruption activities are handled rigorously, with penalties ranging from warnings and reduction of compensation to termination of employment for the employees concerned, depending on the severity of offences. In particular, the Group upholds its anti-corruption commitment in its commercial operations, maintains good discipline when working with business partners, and follows standardised commercial procedures, as it works to eradicate all corrupt practices.

To encourage our employees to report illegality, irregularity, malpractice, unethical or inappropriate conducts, which may damage the Group's interests, we have devised whistle-blowing procedures, setting up a separate channel for employees and any person who deals with the Company to report suspicious fraudulent actions, in confidence and anonymity, to the Audit Committee and/or Chairman of the Company.

In order to comply with and supplement the legal requirements, the Group organized 16 anti-corruption training sessions for our directors and employees with a total of 28.5 training hours, including AML training for newcomers and refresher, post investigation training and transaction monitoring training arranged for the compliance team. Regular anti-corruption training sessions are organised by the Independent Commission Against Corruption (ICAC) to enhance their awareness of anti-corruption and further create a healthy corporate culture.

During the Reporting Period, the Group has not noted any cases of non-compliance brought against the Group or its employees in relation to corruption-related laws and regulations, such as the Prevention of Bribery Ordinance in Hong Kong.

COMMUNITY INVESTMENT

We are committed to supporting the community by incorporating social participation and contribution into our strategic development. We believe this will nurture excellence in Group corporate culture and practices.

The Group acknowledges a sustainable business is dependent on the stability and well-being of the community where it operates and regards improving the community's well-being as an important way to realise its value. The Group does not have policies on community engagement during the Reporting Period. Nevertheless, we firmly adhere to the principle that our staff can contribute to the community by participating in voluntary services while developing personal capabilities in areas such as leadership, management and communication skills.

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Aspects		2022	2021	Unit
Aspect A1: Emissions				
A1.2	**Greenhouse gas emissions in total and intensity**			
	Scope 1 emissions	–	–	tonnes CO_2-e
	Scope 2 emissions	6.3	6.5	tonnes CO_2-e
	Scope 3 emissions	3.8	–	tonnes CO_2-e
	Total greenhouse gas emissions	10.1	6.5	tonnes CO_2-e
	Intensity (by employee)	0.36	0.17	tonnes CO_2-e/ employee
A1.3	**Hazardous waste**			
	Total hazardous waste produced	0.89	0.90	kg
	Intensity (by employee)	0.03	0.02	kg/employee
A1.4	**Non-hazardous waste**			
	Total non-hazardous waste produced	1.00	1.84	tonnes
	Intensity (by employee)	0.036	0.047	tonnes/employee
Aspect A2: Use of Resources				
A2.1	**Direct and/or indirect energy consumption by type**			
	Direct energy consumption	–	–	GJ
	Indirect energy consumption	16.2	17.7	MWh
	Total energy consumption	16.2	17.7	MWh-e
	Intensity (by employee)	0.58	0.45	MWh-e/employee
A2.5	**Packaging material used for finished products**			
	Total packaging material used	0.21	0.13	tonnes
	Intensity (by employee)	7.36	3.45	kg/employee

Social Aspects			2022	2021	Unit
Aspect B1: Employment					
B1.1	**Total workforce**				
	Total number of employees		28	39	employee
	By gender	Female	12	20	employee
		Male	16	19	employee
	By employment type	Full-time	27	37	employee
		Part-time	1	2	employee
	By age group	30 years old or below	1	9	employee
		31-40 years old	4	6	employee
		41-50 years old	7	14	employee
		Over 50 years old	16	10	employee
	By employee category	Management	15	16	employee
		Senior	4	5	employee
		Middle	5	10	employee
		Junior	4	8	employee
	By function	Executive	7	–	employee
		Technical	5	–	employee
		Administrative	16	–	employee
	By geographical region	Hong Kong	19	22	employee
		China	9	17	employee
B1.2	**Employee turnover rate**				
	Total employee turnover rate		39%	33%	%
	By gender	Female	67%	40%	%
		Male	19%	26%	%
	By employment type	Full-time	41%	35%	%
		Part-time	0%	0%	%
	By age group	30 years old or below	7%	–	%
		31-40 years old	50%	–	%
		41-50 years old	14%	–	%
		Over 50 years old	6%	–	%
	By employee category	Management	7%	13%	%
		Senior	25%	60%	%
		Middle	100%	40%	%
		Junior	100%	50%	%
	By geographical region	Hong Kong	16%	–	%
		China	89%	–	%

Social Aspects			2022	2021	Unit
Aspect B2: Health and Safety					
B2.1	Number of work-related fatalities		0	0	no.
	Rate of work-related fatalities		0%	0%	%
B2.2	Lost days due to work injury		0	0	day
Aspect B3: Development and Training					
B3.1	**Percentage of trained employees**				
	Total number of trained employees		16	20	employee
	Percentage of total employees trained		57%	51%	%
	By gender	Female	50%	55%	%
		Male	50%	45%	%
	By employee category	Management	38%	20%	%
		Senior	25%	10%	%
		Middle	38%	30%	%
		Junior	0%	35%	%
	By function	Executive	38%	–	%
		Technical	38%	–	%
		Administrative	24%	–	%
B3.2	**Average training hours completed**				
	Average training hours per employee		1.07	1.46	hour/employee
	By gender	Female	1.00	1.35	hour/employee
		Male	1.13	1.58	hour/employee
	By employee category	Management	0.90	0.50	hour/employee
		Senior	1.88	0.80	hour/employee
		Middle	1.80	2.40	hour/employee
		Junior	0.00	2.63	hour/employee
	By function	Executive	1.93	–	hour/employee
		Technical	1.80	–	hour/employee
		Administrative	0.47	–	hour/employee

Social Aspects			2022	2021	Unit
Aspect B5: Supply Chain Management					
B5.1	**Number of suppliers by geographical region**				
	Total number of suppliers		24	26	supplier
	By geographical region	Hong Kong	9	6	supplier
		China	15	17	supplier
		United States	–	2	supplier
		United Kingdom	–	1	supplier
Aspect B6: Product Responsibility					
B6.1	Percentage of total products sold or shipped subject to recalls		0%	0%	%
B6.2	Number of products and service-related complaints received		9	5	no.
Aspect B7: Anti-corruption					
B7.1	Number of concluded legal cases regarding corruption		0	0	case
B7.3	**Anti-corruption training**				
	Number of anti-corruption training session		16	14	no.
	Total number of training hours related to anti-corruption		28.5	25	hour
	Percentage of employee with anti-corruption training	Directors	33%	67%	%
		General employees	54%	36%	%

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ruan Deqing (阮德清), aged 58, is the Chairman and an executive Director and is responsible for the operating and financial matters of the Group. He also acts as the compliance officer of the Group. Mr. Ruan was appointed as a Director on 5 May 2010. Mr. Ruan graduated from the Zhengzhou Institute of Railway Mechanics (鄭州鐵路機械學校) in 1986 and obtained an Adult Education Diploma in Advertising from the Xiamen University (廈門大學) in July 2000. Mr. Ruan has more than twenty years of experience in the advertising industry. Prior to co-founding the Group with Mr. Lin Pintong, Mr. Ruan worked as a technician of the locomotive depot in Fuzhou of Nanchang Railway Bureau (南昌鐵路局福州機務處) during the period from 1986 to 1997. During the period from 1997 to 1999, Mr. Ruan worked at Fujian Huashui Advertising and Decorating Company Limited (福建華税廣告裝潢有限公司). Mr. Ruan was the general manager of Fujian Annual Ring Advertisement Co., Ltd. (福州年輪廣告有限公司) during the period from 1999 to 2002. From August 2002 to April 2010, Mr. Ruan was the general manager of Fujian Ao Shen Media Advertising Co., Ltd. (福建省奧神傳媒廣告有限責任公司). Mr. Ruan has an interest in the shares of the Company under the Securities and Futures Ordinance as disclosed in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" in this annual report.

Mr. Peng Lichun (彭立春), aged 41, is an executive Director appointed on 5 March 2015 and resigned on 14 June 2022. Mr. Peng has over 15 years of working experience in financial industry and has solid experience in corporate fund raising and management in Hong Kong and the People's Republic of China (the "PRC"). Mr. Peng obtained a professional certificate of economic management and computer management from Xiangtan University (湘潭大學), PRC in 2002. He is currently a director in a wealth management company in Shenzhen which focusing securities investment and wealth management in the PRC.

Mr. Ma Pun Fai (馬彬輝), aged 54, is an executive Director appointed on 25 August 2015. Mr. Ma has over 20 years' experience in administration and management. He is currently a managing director in a local electronics company. Mr. Ma had been working in the entertainment and advertising industry for around ten years, and was responsible for administrative and managerial work in several domestic and foreign enterprises.

Independent non-executive Directors

Ms. Tay Sheve Li (鄭雪莉), aged 50, is an independent non-executive Director appointed on 30 September 2013. Ms. Tay is the independent non executive Director who has the qualifications and experience to meet the requirements under Rule 5.05(2) of the GEM Listing Rules. Ms. Tay graduated from the University of Strathclyde, United Kingdom, in July 1994 with a bachelor's degree in arts majoring in accounting and finance and received her master's degree in applied finance from University of Western Sydney in September 2004.

Ms. Tay is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of Association of Chartered Certified Accountants and a fellow member of the Institute of Chartered Accountants in English and Wales. Ms. Tay has over 15 years of experience in accounting and auditing experience. From November 1997 to September 2007, she worked at Ernst & Young as a senior manager in audit assurance. From October 2007 to September 2010, Ms. Tay worked at Ernst & Young as a senior manager in the finance department. From October 2010 to June 2011, Ms. Tay was the president of finance and capital management department in Centron Telecom International Holding Ltd., a company previously listed on the Main Board of the Stock Exchange (stock code: 1155).

Ms. Tay was an independent non-executive director of SSLJ.com Limited, a company previously listed on Nasdaq (stock code: YGTY, formerly known as SSLJ), and delisted in July 2019, her employment was from October 2018 to January 2019 and from March to July 2019. Ms. Tay was an independent non-executive director of China Internet Nationwide Financial Services Inc., a company listed on Nasdaq (stock code: CIFS), from 22 February 2017 to 17 April 2020.

Mr. Yau Kit Yu（邱潔如）, aged 69, is an independent non-executive Director appointed on 24 November 2015. Mr. Yau has over 30 years of experience in the trading and marketing industries. He started his career in sales activities in 1978, and has since 2000 served in various companies selling agricultural products as marketing directors, mainly responsible for the overall management of sales and marketing.

Ms. Lam Man Chi（林敏芝）, aged 38, is an independent non-executive Director appointed on 23 February 2021. Ms. Lam has over 10 years of management and marketing experience in the retail and finance industry.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Wang Hao（王浩）, aged 53, is appointed as the Chief Executive Officer of 33 Financial Services Limited and is responsible for developing and managing payment product business. Mr. Wang holds a Master of Finance Degree from the University of Technology. Mr. Wang has over 28 years of experience in the finance industry, with over 15 years of managerial experience in various banks including Bank of Communications (HK) Limited, BOC(HK) Credit Card (International) Limited and Bank of China (HK) Limited. He was responsible for the innovation and development of new products and new businesses in retail banking, including prepaid card issuance and operations. He was also involved in all aspects of the Stored Valued Facility business including the management of the prepaid card storage limits, anti-money laundering and combating terrorist financing strategies and control, technology and payment security risk, and business continuity plan.

Mr. Yeung Man Sun（楊万鋠）, aged 42, was appointed as the company secretary of the Company with effect from 18 January 2019 and resigned with effect from 14 June 2022. He graduated from City University of Hong Kong with a bachelor degree in Business Administration (Honours) in Accountancy and received his master's degree in Corporate Governance from Hong Kong Polytechnic University. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants, associate member of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He has over 15 years of experience in accounting, auditing and finance industry. During the Year, Mr. Yeung has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

Mr. Lam Chee Sum Eddie（林智深）, aged 48, is appointed as the company secretary of the Company with effect from 14 June 2022. He graduated from the University of California, Los Angeles with a Bachelor of Arts degree in Business Economics. Mr. Lam is a full member of the California Board of Accountancy of Certified Public Accountants and a Chartered Financial Analyst charter holder. He has over 20 years' working experience in the field of accounting, auditing and company secretarial services. During the Year, Mr. Lam has taken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

The Directors are pleased to present their report and the audited consolidated financial statements for the Year .

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's principal subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

Please refer to the section headed "Management discussion and analysis" of this annual report for a business review of the Group for the Year.

RESULTS AND DIVIDENDS

The Group's results for the Year and the state of affairs of the Company and the Group as at 31 December are set out in the consolidated financial statements on pages 60 to 133 of this annual report.

The Directors do not recommend the payment of any dividend for the Year (2021: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 134 of this annual report. This summary does not form part of the audited financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is aware of its rising environmental responsibility to the community and is committed to reducing the negative impacts on the environment caused by the operation of its business and enhancing its influence among different stakeholders. Details of the environmental policies and performance are set out in the section headed "Environmental Social and Governance Report" on pages 22 to 36 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company seeks to ensure compliance with all the relevant laws and regulations through various measures such as internal controls and approval procedures and training at different levels of the Group. During the Year, the Group had compiled with, and was not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company, the details of which are disclosed in note 26 to the consolidated financial statements, no equity-linked agreement was entered into by the Company during the Year or subsisted at the end of the year under review.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 25 to the consolidated financial statements.

An extraordinary general meeting of the Company was held on 5 August 2022 in which the resolutions to approve (i) the proposed share consolidation for every four shares of US$0.01 each into one consolidated share of par value of US$0.04 each in issued and unissued share capital of the company ("Share Consolidation"); (ii) the proposed capital reduction to reduce the consolidated share par value from US$0.04 to US$0.001 by cancelling the paid-up capital of the Company to the extent of US$0.039 on each of the issued consolidated shares ("Capital Reduction"); and (iii) the proposed sub-division of each of the authorised but unissued consolidated shares of par value of US$0.04 each into forty (40) new shares of par value of US$0.001 each ("Share Sub-division") were passed by the shareholders of the Company. The Share Consolidation became effective on 2 September 2022. The Capital Reduction and the Share Sub-division are still subject to certain conditions. Further announcement(s) will be made by the Company to inform the shareholders of the effective date of the Capital Reduction and the Share Sub-division as and when appropriate.

Please refer to the announcements of the Company dated 25 July 2022, 5 August 2022, 31 August 2022 and 20 December 2022 and the circular of the Company dated 5 August 2022 for details.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in pages 62 and 133 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB75,743,000 (2021: RMB32,509,000).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 65.2% (2021: 60.2%) of the total sales for the Year and sales to the largest customer included therein amounted to approximately 21.6% (2021: 29.0%) of the total sales for the Year. Services supplied from the Group's five largest suppliers accounted for approximately 60.4% (2021: 45.1%) of the total cost of sales for the year and service supplied from the Group's largest supplier included therein amounted to approximately 16.6% (2021: 14.9%) of the total cost of sales for the year. None of the Directors or any of their close associates (as defined in the GEM Listing Rules) or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers during the Year.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 17 December 2010 (the "Old Share Option Scheme") and the Old Share Option Scheme was expired on 16 December 2020. A new share option scheme was adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 30 June 2021 (the "New Share Option Scheme"). As at 31 December 2022, there were 17,280,000 outstanding share options under the New Share Option Scheme. Details of the outstanding share options are set out below:

Date of grant	Exercise price	Number of share options outstanding as at 1 January 2022	Granted during the year	Cancelled/ Exercised during the year	Lapsed during the year	Number of share options outstanding as at 31 December 2022	Grantees	Validity Period
11 April 2022	HK$0.448	–	17,280,000	–	–	17,280,000	Employees	11 April 2022 till 10 April 2024 (Note)
11 December 2020	HK$0.312	14,400,000	–	–	(14,400,000)	–	Employees	11 December 2020 till 10 December 2022
		14,400,000	17,280,000	–	(14,400,000)	17,280,000		

Note: The closing price of the Company's shares immediately before the date of grant of share options on 11 April 2022 was HK$0.110. As the Company completed share consolidation in September 2022, the theoretical value of the Company's shares as at 11 April 2022 is HK$0.440. Details of the fair value of the options granted are disclosed in note 26 to the consolidated financial statements.

Saved as disclosed above, no share option was granted, exercised, lapsed or cancelled under the Old Share Option Scheme or the New Share Option Scheme during the Year

Particulars of the New Share Option Scheme adopted by the Group are set out in note 26 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Ruan Deqing *(Chairman)*
Mr. Peng Lichun (resigned on 14 June 2022)
Mr. Ma Pun Fai

Independent non-executive Directors

Ms. Tay Sheve Li
Mr. Yau Kit Yu
Ms. Lam Man Chi

Pursuant to the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and shall be eligible for re-election at such meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 37 to 38 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

Mr. Ruan Deqing, being the executive Director, has entered into a service contract with the Company for an initial term of three years and shall be automatically renewed and extended for successive terms of one year unless terminated by either party by giving at least three months' written notice. He is subject to retirement by rotation, re-election and removal in accordance with the articles of association of the Company. Mr. Ma Pun Fai, being executive Directors, have no fixed term of service with the Company but shall be subject to retirement, re-election and removal in accordance with the articles of association of the Company.

Ms. Tay Sheve Li, being an independent non-executive Directors, has entered into a service agreement with the Company for an initial term of one year and shall be automatically renewed and extended for successive terms of one year unless terminated by either party by giving at least three months' written notice. Ms. Lam Man Chi, being an independent non-executive Directors, has entered into a service agreement with the Company for an initial term of one year and shall be automatically renewed and extended for successive terms of one year unless terminated by either party by giving at least one month's written notice. Mr. Yau Kit Yu, being independent non-executive Directors, have no fixed term of service with the Company. All independent non-executive Directors are subject to retirement by rotation, re-election and removal in accordance with the articles of association of the Company.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Saved as disclosed in this annual report, 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 had any other conflicts of interest with the Group during the Year.

NON-COMPETE UNDERTAKING

On 17 December 2010, Mr. Lin Pintong, Mr. Ruan Deqing, Lizhong Limited, Broad Win Limited and Joint Loyal Limited (collectively, the "Controlling Shareholders"), have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Group pursuant to which each of them irrevocably, unconditionally, jointly and severally undertaken, among other matters, not to, directly or indirectly, carry on, invest in or be engaged in any business which would or might compete with the business of the Group. Details of the Non-compete Undertaking have been set out in the section headed "Relationship with our Controlling Shareholders" of the prospectus of the Company dated 22 February 2011.

The Non-compete Undertaking has become effective from the listing date of the Company.

The Company has received the confirmation from the Controlling Shareholders in respect of their compliance with the terms of the Non-compete Undertaking during the Year.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-compete Undertaking and the Non-compete Undertaking has been enforced by the Company in accordance with its terms during the Year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the articles and associations of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. Such provisions were in force during the Year and remained in force as at the date of this annual report.

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

As at 31 December 2022, 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 5.67 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	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation	14,400,500 (Note 1)	8.33

Notes:

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

Save as disclosed above, as at 31 December 2022, 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 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2022, 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

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong *(Note 1)*	Interest of a controlled corporation	14,400,500	8.33
Lizhong *(Note 1)*	Beneficial owner	14,400,500	8.33
Broad Win *(Note 1)*	Interest of a controlled corporation	14,400,500	8.33
Ms. Pan Xiaoying *(Note 2)*	Interest of spouse	14,400,500	8.33
Joint Loyal *(Note 1)*	Interest of a controlled corporation	14,400,500	8.33
Ms. Liu Sibin *(Note 3)*	Interest of spouse	14,400,500	8.33
New Express Investment Limited *(Note 4)*	Beneficial owner	9,103,000	5.27
China Investment and Finance Group Limited *(Note 4)*	Interest of a controlled corporation	9,103,000	5.27

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 was 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 was 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") 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 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 was 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 31 December 2022, the Directors are 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 10 to 21 of this annual report.

EMOLUMENT POLICY

The Remuneration Committee is responsible for making recommendations to the Board on Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has adopted a share option scheme as an incentive to directors and other eligible participants, details of the scheme is set out in note 26 to the consolidated financial statements.

Details of the Directors' remuneration and the five highest paid employees are set out in note 11 to the financial statements respectively.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the Year are set out in note 34 to the consolidated financial statements. Those related party transactions constitute continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, certain transactions entered into by the Group with the Connected Persons (as defined below) constituted non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan Deqing ("Mr. Ruan") were controlling shareholders of the Company, while Mr. Ruan is also a Director of the Company. Fujian Ao Shen Media Advertising Co. Ltd and Beijing Datisu Media Advertising Co., Ltd, (collectively the "Contracting Entities", each a "Contracting Entity") were owned as to 50% and 50% by Mr. Lin and Mr. Ruan and are associates of Mr. Lin and Mr. Ruan. By virtue of the GEM Listing Rules, Mr. Lin, Mr. Ruan and the Contracting Entities (collectively, the "Connected Persons") were regarded as connected persons of the Company.

For reason as disclosed in the section headed "Connected transactions" in the prospectus of the Company dated 22 February 2011, a series of contracts (the "Structure Agreements") were entered into by, among others, Aoshen Technology Service (Fuzhou) Co., Ltd. ("Aoshen Technology"), Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), Mr. Lin, Mr. Ruan and the Contracting Entities on 17 December 2010 which include:

(1) framework agreements (the "Framework Agreements") dated 17 December 2010 entered into between (i) Aoshen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Aoshen Technology. The Contracting Entities shall appoint individuals as nominated by Aoshen Technology to be their directors and key management as and when Aoshen Technology sees fit. Furthermore, Aoshen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend, distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Aoshen Technology or to such other entities or otherwise deal with in such other manner as Aoshen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;

(2) exclusivity agreements (the "Exclusivity Agreements") dated 17 December 2010 entered into between Aoshen Technology and the Contracting Entities whereby the Contracting Entities have engaged Aoshen Technology on an exclusive basis to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services. In consideration of the provision of the aforementioned services by Aoshen Technology, the Contracting Entities have agreed to pay to Aoshen Technology (or such other entities as Aoshen Technology may direct) fees on an annual basis in arrears. Fees payable to Aoshen Technology by the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC. Each of the Exclusivity Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Aoshen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity;

(3) equity pledge agreements dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan, whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Aoshen Technology under the Exclusivity Agreements. Aoshen Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. None of the equity interests in the Contracting Entities can be pledged or transferred unless otherwise with prior consent from Aoshen Technology. Furthermore, Aoshen Technology is entitled to all dividends derived from the pledged equity interests in the Contracting Entities. Each of the equity pledge agreements has become effective when it was executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity;

(4) option agreements dated 17 December 2010 entered into between Aoshen Hong Kong, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities whereby Aoshen Hong Kong has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Aoshen Hong Kong. Prior to the exercise of such options, the respective registered capital or assets, business or revenues of the Contracting Entities shall not be reduced or disposed of unless with the prior consent from Aoshen Hong Kong or Aoshen Technology. Subject to the compliance with applicable laws and the constitutional documents of each of the Contracting Entities, any dividends, distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) shall also be assigned or transferred to Aoshen Hong Kong, its subsidiaries in the PRC or to such other entities or otherwise deal with in such other manner as Aoshen Hong Kong may direct as soon as practicable but in any event no later than three days upon such receipt. Each of the option agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Aoshen Hong Kong and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity; and

(5) power of attorney dated 17 December 2010 entered into between Aoshen Technology, Mr. Lin and Mr. Ruan in respect of each of the Contracting Entities whereby the Group is authorised to exercise its rights in the Contracting Entities as if it were the ultimate beneficial owner of the Contracting Entities. Each of the power of attorney has become effective when it was executed on 17 December 2010 and will remain effective during the term of the Framework Agreements.

The purpose of the Structure Agreements is to provide the Group with effective control over the financial and operational policies of the Contracting Entities and Beijing FanPei Culture Media Co. Ltd. (collectively the "Operating Entities"), to obtain the economic benefits from the Operating Entities and acquire the equity interests in the Contracting Entities as and when permitted under the applicable PRC laws and to allow the Company to consolidate the assets, liabilities, equity, income and expenses of the Operating Entities into the Group's consolidated financial statements as if they were the Group's subsidiaries, and the economic benefit of their business flows to the Group.

BUSINESS ACTIVITIES OF THE CONTRACTING ENTITIES AND THEIR SIGNIFICANCE TO THE GROUP

The Contracting Entities, namely Fujian Ao Shen and Beijing Datisu, were the two operating companies established in the PRC for the purpose of implementing the Contractual Arrangements and were owned as to 50% and 50% by Mr. Lin and Mr. Ruan. As at 31 December 2022, the Operating Entities were principally engaged in the printed media business as well as outdoor and digital advertising business.

Pursuant to the prevailing laws and regulations in China, enterprises with foreign ownership are prohibited from engaging in the business of web publishing, publication and general distribution of books, periodicals and newspapers in China. Therefore the Group entered into cooperation agreements with our partners in the PRC through the Contracting Entities for the operation and distribution of printed media and digital advertising. The revenue from the Operating Entities contributed approximately 3.5% of the total revenue of the Group for the Year. Accordingly, the Board considers that the Contracting Entities and the Contractual Arrangements are insignificant to the business of the Group.

The table below sets out the revenue and loss for the year of the Contracting Entities for the Year and the total assets and total liabilities of the Contracting Entities, including intercompany balances, as at 31 December 2022:

	For the year ended 31 December 2022 RMB million	**Approximate percentage of contribution to the Group** (%)
Revenue	2.5	3.5%
Loss for the year	1.6	2.8%

	As at 31 December 2022 RMB million	**Approximate percentage of contribution to the Group** *(note)* (%)
Total assets	65.7	18.0%
Total liabilities	31.5	11.2%

Note: The total assets and total liabilities of the Contracting Entities (i.e. the numerator in calculation of the percentage) include a significant amount of intercompany balances of the Group of approximately RMB44.3 million and RMB13.0 million, respectively. Assuming such intercompany balances of the Group are excluded from the total assets and total liabilities of the Group in calculation of the percentage, the total assets of the Contracting Entities account for approximately 5.9% of the total assets of the Group as at 31 December 2022 whereas the total liabilities of the Contracting Entities account for approximately 6.6% of the total liabilities of the Group as at 31 December 2022.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS AND ACTIONS TAKEN BY THE COMPANY TO MITIGATE THE RISKS

There is no assurance that the Contractual Arrangements are in compliance with future PRC laws and regulations

Although the PRC legal advisers of the Company confirms that the Structure Agreements constitute valid and binding contractual arrangements between the parties thereto and are in compliance with the prevailing and applicable laws or regulations in China, there is no assurance that there will be no future laws and regulations promulgated by the PRC government that would limit the implementation of the arrangements under the Structure Agreements.

If the Structure Agreements are considered to be in breach of the applicable laws and regulations in China in the future, the Group could be subject to penalty imposed by the PRC government or that the arrangements under the Structure Agreements would need to discontinue or be subject to such other conditions or requirements that the Group may not be able to comply with.

Moreover, if the ownership structure, contractual arrangements and businesses under the Contractual Arrangements are found to be in violation of any existing or future laws or regulations in China, the PRC government would have discretion in dealing with such violations, including:

- revoking the business licence of Aoshen Technology, which business and operations are essential to the operation of the Group's business;
- levying fines;
- confiscating the income of Aoshen Technology;
- discontinuing or restricting the Group's operations;
- imposing conditions or requirements with which the Group's operations may not be able to comply with;
- requiring the Group to restructure its relevant ownership structure, operations or contractual arrangements; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

If the PRC government takes any of the above mentioned measures against the Group, the Group may have to cease its business and the Group's operating results could be adversely affected.

The Company relies on the Contractual Arrangements to control and obtain economic benefits from the Operating Entities, which may not be as effective in providing operational control as direct ownership

As the Company obtains the revenue generated by the Operating Entities from the arrangements under the Structure Agreements, if Mr. Lin, Mr. Ruan and/or the Contracting Entities breach their obligations under the Structure Agreements or if the Contracting Entities loses effective control over the Operating Entities for any reason, there might be cessation of the Structure Agreements.

Cessation of the arrangements under the Structure Agreements could result in the Operating Entities ceasing to contribute revenue to the Group until alternative arrangements are found. There might be disruption or discontinuance of the Group's operations if alternative arrangements cannot be found or if any new arrangements cannot be put into effect in a timely manner. Any of these incidents could have a material adverse effect on the Group's business, operating results and financial condition.

Actions taken by the Company to mitigate the risks

In light of the risks set out above, the Company would seek legal advice from its PRC legal advisers regarding the legality, validity and enforceability of Contractual Arrangements regularly so as to identify and mitigate the adverse impact brought by the Contractual Arrangements in a timely manner as a result of the future PRC laws and regulations.

In addition, it is the intention of the Group to unwind the Contractual Arrangements when foreign investment in the business of publication and general distribution of books, periodicals and newspapers in China is no longer restricted in the PRC. However, as at the date of this report, such restrictions remain subsisted in the PRC and therefore the Contractual Arrangements are still subsisting as at the date of this report.

Confirmation of independent non-executive Directors:

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(3) in accordance with the terms of the Structure Agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole and have been operated so that the revenue generated by the Contracting Entities has been substantially retained by Aoshen Technology; and

(4) no dividends or other distributions have been made by the Contracting Entities to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group.

Assurance Engagement on Continuing Connected Transactions:

The Company auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his assurance report containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the assurance report has been provided by the Company to the Hong Kong Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the Year and as at the latest practicable date prior to the issue of this annual report.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2022.

AUDITOR

On 26 January 2021, HLB Hodgson Impey Cheng Limited, who acted as the auditors of the Company, resigned and McM (HK) CPA Limited was appointed as the auditors of the Company. The details of the change of auditors are set out in the Company's announcement dated 26 January 2021.

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by McM (HK) CPA Limited, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
Ruan Deqing
Chairman

Hong Kong, 31 March 2023

INDEPENDENT AUDITOR'S REPORT

McM (HK) CPA Limited

TO THE SHAREHOLDERS OF CHINA 33 MEDIA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 133, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements which reveals that as at 31 December 2022, the Group had cash and bank balance approximately RMB2,941,000, which is not sufficient to fulfill the finance obligation on repayment of the bond payable amount to RMB12,399,000, that is going to mature on 22 July 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above, these consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern, the key audit matters we identified are: 1. impairment of film rights; 2. impairment on prepayment for film and entertainment business; 3. impairment assessment on trade receivables.

Impairment of film rights

Refer to note 3 and note 19 to the consolidated financial statements.

We identified the impairment assessment on provision of film rights with the carrying amount approximately of RMB9,065,000 as disclosed in note 19 to the consolidated financial statements as a key audit matter due to the judgment and estimation uncertainty associated with the provision assessment.

The management of the Group assesses the provision of film rights on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount.

During the year ended 31 December 2022, a provision made on film right of approximately RMB2,585,000 was recognised.

Our procedures in relation to valuation of film rights included:

– Obtaining all agreements for the sales of film rights entered into after the end of the reporting period;

– Examining the supporting documents for the installments received from the buyers for the sales of film rights; and

– Assessing and challenging the management's assessment on the recoverability for those film rights not yet sold at the end of the reporting period including those assumption used in the forecast model.

Impairment on prepayment for film and entertainment business

Refer to note 3 and note 19 to the consolidated financial statements.

We identified the prepayment for film and entertainment business amounting approximately to RMB28,733,000 as disclosed in note 19 to the consolidated financial statements as a key audit matter in view of the significant balance.

The amount represents the prepayment to the production companies who are responsible for the production of movies and television dramas, concert production services and concert event management. The prepayment for film and entertainment business will be reclassified to film rights upon commencement of production of the related films.

During the year ended 31 December 2022, an impairment made on such prepayment of approximately RMB22,401,000 was recognised.

KEY AUDIT MATTERS (continued)

Impairment on prepayment for film and entertainment business (continued)

Our procedures in relation to the impairment on prepayment for film and entertainment business included:

– Perform aging analysis on the prepayment for film and entertainment;

– Assess the relevant control effectiveness from the management on the prepayment for film and entertainment;

– Obtaining cooperative agreements signed with the production companies;

– Checking the payment details against the terms of the cooperative agreements to assess the appropriateness of the recognition of prepayment;

– Obtaining confirmations to confirm the prepayment for film and entertainment business balance;

– Conducting company searches on the production companies to ensure they are not related parties;

– Conducting interviews, on a sample basis, with the production companies to understand the progress of the production; and

– Challenging managements assessment in the recoverable amount of the prepayment for which the film production has not proceeded for a long period of time.

Impairment assessment on trade receivables

Refer to note 3, note 18 and note 31 to the consolidated financial statements

As at 31 December 2022, the Group had gross trade receivables of approximately RMB99,088,000 and provision for impairment of approximately RMB41,811,000.

In general, the credit terms granted by the Group to the customers ranged between 30 to 365 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We identified this area as the key audit matter due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to impairment assessment of the trade receivables as at 31 December 2022 included:

KEY AUDIT MATTERS (continued)

Impairment assessment on trade receivables (continued)

– Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;

– Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2022 to the underlying financial records and post year-end settlements to bank receipts;

– Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and

– Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditor's report is Wong Ka Bo, Jimmy.

McM (HK) CPA Limited
Certified Public Accountants

Wong Ka Bo, Jimmy
Practising Certificate Number P07560
24/F, Siu On Centre,
188 Lockhart Road, Wanchai,
Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	*5*	**71,049**	97,941
Cost of sales		**(56,854)**	(85,254)
Gross profit		**14,195**	12,687
Other income	*7*	**4,687**	2,265
Other (losses) and gains, net	*8*	**(8,339)**	4,740
Selling and distribution expenses		**(1,329)**	(4,715)
Impairment of film rights		**(2,585)**	(37,887)
Impairment on prepayment for film and entertainment business		**(22,401)**	(65,395)
(Allowance for)/reversal of expected credit losses on trade receivables, net		**(3,824)**	4,168
Administrative expenses		**(36,647)**	(28,061)
Finance cost	*10*	**(1,265)**	(1,224)
Loss before tax	*9*	**(57,508)**	(113,422)
Income tax	*12*	**–**	–
Loss for the year		**(57,508)**	(113,422)
Other comprehensive income, net of income tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13,016**	2,690
Total comprehensive expense for the year		**(44,492)**	(110,732)
Loss for the year attributable to:			
– Owners of the Company		**(57,469)**	(113,154)
– Non-controlling interests		**(39)**	(268)
		(57,508)	(113,422)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(44,453)**	(110,464)
Non-controlling interests		**(39)**	(268)
		(44,492)	(110,732)
		RMB cents	RMB cents (restated)
Loss per share	*14*		
Basic and diluted		**(33.26)**	(65.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**4,652**	5,957
Right-of-use assets	*16*	**133**	856
Prepayments and deposits	*18*	**3,841**	2,783
Prepayment for film and entertainment business	*19*	**11,497**	19,561
		20,123	29,157
Current assets			
Film rights	*19*	**9,065**	15,893
Trade receivables	*18*	**57,277**	45,279
Prepayments, deposits and other receivables	*18*	**12,042**	8,504
Prepayment for film and entertainment business	*19*	**17,236**	35,047
Financial assets at fair value through profit or loss	*17*	**12,732**	19,334
Pledged bank deposits	*20*	**–**	2,760
Restricted cash	*20*	**233,463**	175,122
Cash and cash equivalents	*20*	**2,941**	12,829
		344,756	314,768
Current liabilities			
Trade payables	*21*	**25,672**	14,750
Other payables and accruals	*21*	**240,423**	188,799
Contract liabilities	*22*	**366**	1,738
Lease liabilities	*23*	**151**	814
Bond payable	*24*	**12,399**	1,174
Tax payable		**1,843**	1,362
		280,854	208,637
Net current assets		**63,902**	106,131
Total assets less current liabilities		**84,025**	135,288
Non-current liabilities			
Bond payable	*24*	**–**	9,079
Lease liabilities	*23*	**–**	139
		–	9,218
NET ASSETS		**84,025**	126,070
Capital and reserves			
Share capital	*25*	**44,567**	44,567
Reserves		**40,909**	82,915
Equity attributable to owners of the Company		**85,476**	127,482
Non-controlling interests		**(1,451)**	(1,412)
TOTAL EQUITY		**84,025**	126,070

The consolidated financial statements on pages 60 to 134 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Ruan Deqing
DIRECTOR

Ma Pun Fai
DIRECTOR

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 *(Note iii)*	Capital reserve RMB'000 *(Note i, iii)*	Statutory reserve RMB'000 *(Note ii, iii)*	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	44,567	626,463	26,239	13,174	19	8,042	5,199	(485,757)	237,946	(1,144)	236,802
Loss for the year	–	–	–	–	–	–	–	(113,154)	(113,154)	(268)	(113,422)
Exchange differences on translation of foreign operations	–	–	–	–	–	2,690	–	–	2,690	–	2,690
Total comprehensive income/(expense) for the year	–	–	–	–	–	2,690	–	(113,154)	(110,464)	(268)	(110,732)
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	–	(4,610)	4,610	–	–	–
At 31 December 2021 and 1 January 2022	44,567	626,463	26,239	13,174	19	10,732	589	(594,301)	127,482	(1,412)	126,070
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,469)**	**(57,469)**	**(39)**	**(57,508)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**13,016**	**–**	**–**	**13,016**	**–**	**13,016**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**13,016**	**–**	**(57,469)**	**(44,453)**	**(39)**	**(44,492)**
Recognition of equity-settled share-based payments *(Note 26)*	**–**	**–**	**–**	**–**	**–**	**–**	**2,447**	**–**	**2,447**	**–**	**2,447**
Transfer of share option reserve upon the forfeiture or expiry of share options *(Note 26)*	**–**	**–**	**–**	**–**	**–**	**–**	**(589)**	**589**	**–**	**–**	**–**
At 31 December 2022	**44,567**	**626,463**	**26,239**	**13,174**	**19**	**23,748**	**2,447**	**(651,181)**	**85,476**	**(1,451)**	**84,025**

Notes:

(i) The capital reserve represents the aggregate of:

(1) the amount of fair value of the identifiable net assets of Fujian Ao Shen Media Advertising Co., Ltd ("Fujian Ao Shen"), Beijing Datisu Media Advertising Co. Ltd ("Beijing Datisu"), Beijing Lvban Media Advertising Co., Ltd, Shanghai Lvban Culture Transmission Co. Ltd, Jinan Lvban Advertising Co. Ltd and Guangzhou Lvban Advertising Co., Ltd of RMB23,797,000 acquired by the Group from Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan Deqing ("Mr. Ruan"), executive directors and controlling shareholders of the Group, on 30 June 2008 at nil consideration; and

(2) the fair value of share options of Lizhong Limited ("Lizhong"), the former immediate holding company of the Company, granted by Lizhong to employees of the Group amounting to RMB2,442,000 was recognised as share-based payment expense from year 2007 to year 2011 for the services provided by the employees to the Group.

(ii) As stipulated by the relevant regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries established and operating in the PRC are required to appropriate 10% of their profit after tax as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners. The statutory reserve can be used to make good previous years' losses, if any, and may be converted into paid-up capital by issuing additional capital to the owners in proportion to the owners' existing equity holdings, provided that the balance after such conversion is not less than 25% of the registered capital.

(iii) These reserve amounts comprise the consolidated reserve of RMB665,876,000 (2021: RMB665,876,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(57,508)**	(113,422)
Adjustments for:		
Depreciation of property, plant and equipment	**1,260**	1,001
Depreciation on right-of-use assets	**776**	964
Bank interest income	**(1,783)**	(250)
Finance costs	**1,265**	1,224
Government grant	**–**	(627)
Loss on disposal of property, plant and equipment	**11**	79
Allowance for/(reversal of) expected credit losses on trade receivables, net	**3,824**	(4,168)
Impairment loss on prepayment for film and entertainment business	**22,401**	65,395
Impairment of film rights	**2,585**	37,887
Fair value change of financial assets at fair value through profit or loss	**8,328**	(1,325)
Equity-settled share-based payment expense	**2,447**	–
Operating cash flows before movements in working capital	**(16,394)**	(13,242)
Change in film rights	**12,286**	15,145
Change in trade receivables	**(8,297)**	9,467
Change in prepayments, deposits and other receivables	**(4,540)**	3,165
Change in prepayment for film and entertainment business	**2,636**	(16,338)
Change in financial assets at fair value through profit or loss	**(1,726)**	(4,073)
Change in trade payables	**10,534**	3,312
Change in other payables and accruals	**(6,876)**	(1,621)
Change in contract liabilities	**(1,380)**	161
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(13,757)**	(4,024)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Bank interest received	**1,783**	250
Government grant received	**–**	627
Purchase of property, plant and equipment	**–**	(705)
Withdraw of the pledge bank deposits	**2,772**	–
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES	**4,555**	172
FINANCING ACTIVITIES		
Repayment of bond payable	**–**	(1,176)
Repayment of lease liabilities	**(860)**	(877)
Interest on lease liabilities	**(24)**	(47)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(884)**	(2,100)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,086)**	(5,952)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**12,829**	19,064
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**198**	(283)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,941**	12,829

1. GENERAL 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. In the opinion of the directors of the Company, its immediate 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 Unit 807, 8/F., Tower 1 Silvercord, 30 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. The principal activities of its subsidiaries are set out in note 35.

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

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IFRS 17	Insurance contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Material uncertainty related to going concern

As at 31 December 2022, the Group had cash and bank balance approximately RMB2,941,000, which is not sufficient to fulfill the finance obligation on repayment of the bond payable amount to RMB12,399,000, that is going to mature on 22 July 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above, these consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern. Our opinion is not modified in respect of this matter.

The directors of the Company are of the opinion that the Group is able to continue as a going concern and to meet in full their financial obligations the Group has been actively negotiating with its creditors to extend the repayment terms of its indebtedness; In light of all the measures adopted and arrangements implemented, the Directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements and it is reasonable to expect the Group to remain as a commercially viable concern.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group with the above measures, the directors have concluded that the Group is able to continue as going concern and to meet their financial obligations as and when they fall due for the next twelve months.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition

Revenue recognition

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance complete to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Revenue recognition (continued)

(i) Printed Media Advertising

Revenue from printed media advertising is recognised over time upon the performance of the services or in accordance with the terms of the contracts.

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.

Revenue from provision of printed media advertising is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits of advertising provided by the Group.

(ii) Outdoor and Digital Advertising

Revenue from outdoor and digital advertising is recognised over time upon the performance of the service or in accordance with the terms of the contracts. Revenue from outdoor and digital advertising represented the advertising income generated from online advertising through mobile applications and websites, etc., as well as sale of advertising spaces on the billboard and LEDs installed at certain railway station, revenue from promotion campaigns conducted in train stations. Revenue was recognised when advertising were published or station campaigns were launched.

Revenue from provision of outdoor and digital advertising is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits of advertising provided by the Group.

(iii) Film and entertainment investment income

Revenue from the distribution of film rights and entertainment was recognised at point in time 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.

(iv) Prepaid card

Revenue from prepaid card service is recognised in accounting period in which the services are rendered. Prepaid card service is 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants where primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss on a systematic and rational basis in the period in which they become receivable.

Leasing

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(b) As a lessee

(i) Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

(b) As a lessee (continued)

(ii) Right-of-use assets

The cost of right-of-use asset includes:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

(b) As a lessee (continued)

(iv) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that depend on an index or a rate;

– amounts expected to be paid under residual value guarantees;

– the exercise price of a purchase option reasonably certain to be exercised by the Group; and

– payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

(b) As a lessee (continued)

(v) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") produced by the Group or acquired by the Group.

Prepayment under film cooperation agreements are transferred to film rights upon commencement of production of the related films.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, and interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The property, plant and equipment are depreciated on a straight-line basis to their residual values as follows:

Buildings	Over the shorter of lease terms and 20 years
Leasehold improvement	Over shorter of lease terms and 5 year
Motor vehicles	10 years
Office equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other non-current assets

Other non-current assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for other non-current assets is provided on a straight-line basis over their respective estimated useful lives, i.e. the term of the expected duration of outdoor advertising activities to be carried out by the Group. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

A non-current asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of a non-current asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised in profit or loss.

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

– the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(a) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(b) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

(c) Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, pledged bank deposit, restricted bank deposits and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(d) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(e) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(a) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(b) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 365 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(e) Definition of default (continued)

(c) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– Nature of financial instruments (i.e. the Group's trade and other receivables, and other receivables for termination of film investment, are each assessed as a separate group.

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Cash and cash equivalent

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow. Cash and cash equivalents are assessed for expected credit loss ("ECL").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

(a) Classification as financial liabilities or equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(c) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(d) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

(e) Financial liabilities at amortised cost

Financial liabilities (including trade payables, accruals, lease liability, bond payable and other payables) are subsequently measured at amortised cost, using the effective interest method.

Equity-settled share-based payment transactions

(a) Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

(b) Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over the Contracting Entities

Note 35 describes that Fujian Ao Shen and Beijing Datisu (collectively the "Contracting Entities", each a "Contracting Entity") are subsidiaries of the Group although the Group does not have any equity interest in the registered capital of the Contracting Entities, each of which were established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan, controlling shareholders of the Group, while Mr. Ruan is also an executive director of the Company. The directors assessed whether or not the Group has control over the Contracting Entities based on whether the Group has the practical ability to direct the relevant activities of the Contracting Entities unilaterally. In making their judgment, the directors considered the Contractual Arrangements (see the details of the Contractual Arrangements below).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Control over the Contracting Entities (continued)

On 17 December 2010, Hong Kong Ao Shen Investment Co., Ltd ("Hong Kong Ao Shen", a wholly-owned subsidiary of the Company), Ao Shen Technology Service (Fuzhou) Co., Ltd ("Ao Shen Technology", a wholly-owned subsidiary of Hong Kong Ao Shen), each of the Contracting Entities and their respective equity participants, Mr. Lin and Mr. Ruan, entered into a series of agreements (the "Contractual Arrangements") with the following key provisions:

Framework agreements

The framework agreements (the "Framework Agreements") dated 17 December 2010 entered into between (i) Ao Shen Technology; (ii) the Contracting Entities; and (iii) Mr. Lin and Mr. Ruan, whereby the Contracting Entities have undertaken, among others, not to enter into any material business transaction without the prior written consent of Ao Shen Technology. The Contracting Entities shall appoint individuals as nominated by Ao Shen Technology to be their directors and key management as and when Ao Shen Technology sees fit. Furthermore, Ao Shen Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the Contracting Entities. Any dividend distributable reserve and/or other assets (including residual assets upon dissolution of the Contracting Entities) derived from the equity interests in the Contracting Entities shall also be paid to Ao Shen Technology or to such other entities or otherwise deal with in such other manner as Ao Shen Technology may direct. Each of the Framework Agreements has become effective when it was executed on 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; or pursuant to the terms under other agreements entered into by the relevant parties; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

Option agreements

Hong Kong Ao Shen, each of Mr. Lin and Mr. Ruan and each of the Contracting Entities entered into exclusive option agreements (the "Option Agreements") whereby Hong Kong Ao Shen has been granted options to acquire the entire equity interest in the Contracting Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Subject to compliance with the PRC laws, such options may be exercised at any time and in any manner at the sole discretion of Hong Kong Ao Shen. Pursuant to the Option Agreements, each of the Contracting Entities and/or Mr. Lin and Mr. Ruan has given undertakings that it shall perform certain acts or refrain from performing certain other acts unless with the prior written consent of Ao Shen Technology, including but not limited to the below matters:

(a) that each of the Contracting Entities shall not alter its constitutional documents or its registered capital unless with the prior consent from Ao Shen Technology;

(b) that any of the Contracting Entities and/or Mr. Lin and Mr. Ruan shall not incur any indebtedness or guarantee (other than those incurred in the ordinary course of business and disclosed to and approved by Ao Shen Technology in advance);

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Control over the Contracting Entities (continued)

Option agreements (continued)

(c) that each of the Contracting Entities shall not provide any loan or guarantee to any third parties;

(d) that each of the Contracting Entities shall not dispose of or create encumbrances over any part of its assets, business or revenue and that Mr. Lin and Mr. Ruan shall not dispose of or create encumbrances over the equity interest held by them in each of the Contracting Entities, except the security created under the Equity Pledge Agreement (as defined below);

(e) that each of the Contracting Entities shall not enter into any material contracts over RMB1,000,000 other than those in its ordinary course of business;

(f) that each of the Contracting Entities shall not distribute any dividend (including any undistributed attributable profit payable to the entity's shareholders prior to the Option Agreements becoming effective) to its shareholders and that Mr. Lin and Mr. Ruan undertake that such undistributed profit shall be retained in each of the Contracting Entities as its capital and/or reserved fund and shall give up and assign or transfer to Ao Shen Technology any dividend declared and distributed thereafter and payable to them by virtue of their holding of the equity interest in each of the Contracting Entities;

(g) that each of the Contracting Entities shall not make investment or engage in any merger or acquisition transactions; and

(h) that at the request of Ao Shen Technology, Mr. Lin and Mr. Ruan shall appoint such persons nominated by Ao Shen Technology to act as the directors, supervisors and senior management members of each of the Contracting Entities.

Each of the Option Agreements has become effective when it was executed on 17 December 2010 and will only expire on the date on which all the equity interests in the Contracting Entities are transferred to Hong Kong Ao Shen and/or its nominees, and the registrations of such equity transfers in the relevant Administration of Industry and Commerce in the PRC are completed; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Control over the Contracting Entities (continued)

Power of attorney

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into power of attorney (the "Power of Attorney") pursuant to which Mr. Lin and Mr. Ruan have unconditionally and irrevocably undertaken to authorise such person(s) as designated by Ao Shen Technology (being PRC citizens) to exercise the shareholders' rights in relation to appointment of proxy and exercise of voting rights in each of the Contracting Entities under the articles of associate of the Contracting Entities and the applicable PRC laws. Such shareholders' rights include but are not limited to (i) calling and attending the shareholders' meetings of the Contracting Entities; (ii) exercising the voting rights on all matters requiring the consideration and approval of shareholders and those pursuant to articles of association of the Contracting Entities.

Before Ao Shen Technology acquires the equity interests from Mr. Lin and Mr. Ruan in each of the Contracting Entities contemplated under the Option Agreements, Ao Shen Technology can exercise the voting rights of shareholders of the Contracting Entities as if Ao Shen Technology and hence the Group was the ultimate beneficial owner of the Contracting Entities by virtue of the Power of Attorney.

The term of the Power of Attorney commenced on 17 December 2010 and will remain effective during the term of the Framework Agreements.

Exclusivity agreements

Ao Shen Technology and each of the Contracting Entities entered into exclusivity agreements (the "Exclusivity Agreements") pursuant to which the Contracting Entities will exclusively engage Ao Shen Technology to provide consultation services in the management of assets, operation and liabilities, sales and marketing and other supporting services.

In consideration of the provision of the aforementioned services by Ao Shen Technology, each of the Contracting Entities agrees to pay to Ao Shen Technology (or such other entities as Ao Shen Technology may direct) fees on an annual basis in arrears. Fees payable to Ao Shen Technology by each of the Contracting Entities will be equivalent to the total revenue less all the related costs, expenses and taxes of the respective Contracting Entities, as audited by certified public accountants of the PRC.

Pursuant to the Exclusivity Agreements, each of the Contracting Entities shall not without the prior written consent of Ao Shen Technology to dispose of or pledge its material assets, operation rights and/or business; alter its registered capital; alter its scope of business; declare dividends; and/or remove any of its directors and senior management members.

The term of the Exclusivity Agreements commenced from 17 December 2010 and will remain effective for a perpetual term unless and until terminated by Ao Shen Technology by the giving of a 30-day advance notice in writing; and it will be automatically terminated upon dissolution of the relevant Contracting Entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Control over the Contracting Entities (continued)

Equity pledge agreements

Ao Shen Technology and Mr. Lin and Mr. Ruan entered into equity pledge agreements (the "Equity Pledge Agreements"), whereby Mr. Lin and Mr. Ruan have pledged their entire interests in each of the Contracting Entities to secure the payment of consultations services fees to Ao Shen Technology under the Exclusivity Agreements.

Pursuant to the Equity Pledge Agreements, without the prior written consent of Ao Shen Technology, the Contracting Entities shall not alter its current shareholding structure and/or its nature or scope of business, Mr. Lin and Mr. Ruan shall not allow the Contracting Entities to transfer or dispose of its assets and pledge or transfer their respective equity interests in the Contracting Entities in favour of or to other third parties. Ao Shen Technology is entitled to receive all dividends derived from the pledged equity interests. Ao Shen Technology is entitled to demand repayment of the secured indebtedness and/or to exercise its rights to sell the pledged equity interests on occurrence of certain events of default including but not limited to non-performance or breach of any of the Exclusivity Agreements, the Option Agreements and the Power of Attorney; or failure to repay other debts when due by the Contracting Entities or Mr. Lin and Mr. Ruan (as the case may be).

The Equity Pledge Agreements became effective when they were executed on 17 December 2010 until all payments in each of the Exclusivity Agreements are settled by the relevant Contracting Entity, as well as upon which the relevant Contracting Entity is no longer responsible for the performance under the Exclusivity Agreements; and they will be automatically terminated upon dissolution of the relevant Contracting Entity

In the opinion of the directors, all the terms of the Contractual Arrangements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. Pursuant to the Contractual Arrangements, Mr. Lin and Mr. Ruan assigned all the shareholder's rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company considered such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group. The total assets, total liabilities and the loss for the year of the Contracting Entities and their subsidiaries are RMB23,685,000, RMB32,162,000 and RMB893,000 (2021: RMB15,984,000, RMB15,699,000 and RMB511,000), respectively.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

Determining whether an impairment is required requires an estimation of recoverable amounts of the property, plant and equipment or the respective cash generating units ("CGU") in which the property, plant and equipment belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows or the revision of estimated future cash flows are less than original estimated future cash flow, a material impairment loss may arise. As at 31 December 2022, the carrying amount of property, plant and equipment is RMB4,652,000 (2021: RMB5,957,000).

Estimated impairment of film rights

At the end of the reporting period, the management of the Group assesses the impairment of film rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film rights was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the film rights will be written down to its recoverable amount. Based on the management assessment's on the recoverability of film rights, impairment loss approximately of RMB2,585,000 (2021: RMB37,887,000) was recognised. As at 31 December 2022, the carrying amount of the film rights is RMB9,065,000 (2021: RMB15,893,000). Details of the film rights are disclosed in note 19.

Estimated Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement at amortised cost in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 31.

As at 31 December 2022, the carrying amount of trade receivables is RMB57,277,000 (net of allowance for doubtful debts of RMB41,811,000) (2021: RMB45,279,000 (net of allowance for doubtful debts of RMB35,016,000)).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of prepayment for film and entertainment business

Prepayment for film and entertainment business is stated at costs less accumulated impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; and (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset. Changing the assumptions and estimates, could materially affect the net present value used in the impairment test.

As at 31 December 2022, the carrying amounts of such prepayment is RMB28,733,000 (2021: RMB54,608,000), During the year ended 31 December 2022, impairment of approximately RMB22,401,000 (2021: RMB65,395,000) was recognised.

5. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines:		
– Outdoor and digital advertising income	**35,481**	59,309
– Film and entertainment investment income	**14,130**	16,501
– Prepaid card income	**21,438**	22,131
	71,049	97,941

An analysis of the Group's revenue for the year is as follows:

	2022 **RMB'000**	2021 RMB'000
Recognised over time:		
Outdoor and digital advertising income	**35,481**	59,309
Recognised at a point in time:		
Film and entertainment investment income	**14,130**	16,501
Prepaid card income	**21,438**	22,131
Total	**71,049**	97,941

All revenue contracts are for period of one year or less, as permitted by IFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed. Please refer to note 3 for the details of revenue recognition.

6. 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 People's Republic of China (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 2022

	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	–	35,481	14,130	21,438	71,049
Timing of revenue recognition					
At a point in time	–	–	14,130	21,438	35,568
Over time	–	35,481	–	–	35,481
	–	35,481	14,130	21,438	71,049
Segment (loss)/profit	–	(2,446)	(47,999)	2,032	(48,413)
Unallocated other income, other gains and (losses), net					(6,545)
Finance cost					(1,265)
Corporate and other unallocated expenses					(1,285)
Loss before tax					(57,508)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2021

	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	–	59,309	16,501	22,131	97,941
Timing of revenue recognition					
At a point in time	–	–	16,501	22,131	38,632
Over time	–	59,309	–	–	59,309
	–	59,309	16,501	22,131	97,941
Segment (loss)/profit	(1)	2,935	(100,247)	3,964	(93,349)
Unallocated other income, other gains and (losses), net					7,084
Finance cost					(1,224)
Corporate and other unallocated expenses					(25,933)
Loss before tax					(113,422)

For each of the reporting period ended, the accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of bank interest income, other income and other gains and losses, net fair value change of financial assets at fair value through profit or loss 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.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2022

	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	**2,897**	**408**	**86,213**	**15,065**	**104,583**
Financial assets at fair value through profit or loss					**12,732**
Corporate and other unallocated assets					**11,160**
Restricted cash					**233,463**
Cash and cash equivalents					**2,941**
Consolidated assets					**364,879**
Segment liabilities	**617**	**144**	**168**	**222,173**	**223,102**
Bond payable					**12,399**
Corporate and other unallocated liabilities					**45,353**
Consolidated liabilities					**280,854**

At 31 December 2021

	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	822	4,075	104,892	10,981	120,770
Financial assets at fair value through profit or loss					19,334
Corporate and other unallocated assets					13,110
Pledged bank deposits					2,760
Restricted cash					175,122
Cash and cash equivalents					12,829
Consolidated assets					343,925
Segment liabilities	3,616	1,430	155	173,986	179,187
Bond payable					10,253
Corporate and other unallocated liabilities					28,415
Consolidated liabilities					217,855

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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, lease liabilities, tax payable and bond payable.

Other segment information

For the year ended 31 December 2022

	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, net	–	397	3,423	4	3,824
Impairment of film rights	–	–	2,585	–	2,585
Impairment on prepayment for film and entertainment business	–	–	22,401	–	22,401
Advertising agency fee and production expenses	–	33,078	–	–	33,078

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2021

	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					
(Reversal of) allowance for expect credit losses on trade receivables, net	–	444	(1,679)	(2,933)	(4,168)
Impairment of film rights	–	–	37,887	–	37,887
Impairment on prepayment for film and entertainment business	–	–	65,395	–	65,395
Advertising agency fee and production expenses	4,578	51,351	–	–	55,929

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 are summarised below.

	Revenue from external customers		**Non-current assets**	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Hong Kong	**35,568**	38,633	**16,541**	24,347
The PRC	**35,481**	59,308	**3,582**	4,810
	71,049	97,941	**20,123**	29,157

6. SEGMENT INFORMATION (continued)

Geographical information (continued)

Information about major customers

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

	2022 **RMB'000**	2021 RMB'000
Customer A	**–**	28,360
Customer B	**–**	16,739
Customer C	**16,845**	–
Customer D	**15,346**	–
	32,191	45,099

Note:

(i) The major customers disclosed above are the customers of the outdoor and digital advertising business.

7. OTHER INCOME

	2022 **RMB'000**	2021 RMB'000
Bank interest income	**1,783**	250
Government grants *(Note (i))*	**–**	627
Others *(Note (ii))*	**2,904**	1,388
	4,687	2,265

Notes:

(i) The government grant represented the COVID-19 employment support scheme subsidy by Hong Kong Government. 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 RMB2,224,000 (2021: RMB1,349,000)). The relevant other income is recognised in accordance with the HKFRS 15 revenue recognition at a point in time.

8. OTHER (LOSSES) AND GAINS, NET

	2022 **RMB'000**	2021 RMB'000
Loss on disposal of property, plant and equipment	**(11)**	(79)
Fair value change of financial assets at fair value through profit or loss	**(8,328)**	1,325
Gain on disposal of financial assets at fair value through profit or loss	**–**	3,494
	(8,339)	4,740

9. LOSS BEFORE TAX

	2022 **RMB'000**	2021 RMB'000
Loss before tax has been arrived at after charging:		
Auditor's remuneration	**534**	506
Depreciation of property, plant and equipment	**1,260**	1,001
Depreciation on right-of-use assets	**776**	964
Employee benefit expense (including directors' emoluments)		
Salaries, bonuses and other benefits	**10,423**	10,381
Contributions to retirement benefits schemes	**656**	724
Equity-settled share-based payment *(note 26)*	**2,447**	–
Total employee benefit expenses	**13,526**	11,105
Advertising agency fees and production expenses for printed media and outdoor and digital advertising (included in cost of sales)	**33,078**	54,929
Payment to short-term lease	**175**	217
Loss on disposal of property, plant and equipment	**11**	79

10. FINANCE COST

	2022 RMB'000	2021 RMB'000
Interest expense on corporate bond	**1,241**	1,177
Interest expense on lease liabilities	**24**	47
	1,265	1,224

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	For the year ended 31 December 2022			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Peng Lichun[2]	70	–	–	70
Mr. Ma Pun Fai	310	–	16	326
Mr. Ruan Deqing	–	605	16	621
	380	605	32	1,017
Independent non-executive directors				
Ms. Tay Sheve Li	155	–	–	155
Ms. Lam Man Chi[1]	83	–	–	83
Mr. Yau Kit Yu	52	–	–	52
	290	–	–	290
Total emoluments	670	605	32	1,307

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

	For the year ended 31 December 2021			
	Directors' fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Mr. Peng Lichun	147	–	–	147
Mr. Ma Pun Fai	294	–	–	294
Mr. Ruan Deqing	–	573	15	588
	441	573	15	1,029
Independent non-executive directors				
Ms. Tay Sheve Li	147	–	–	147
Ms. Lam Man Chi[1]	67	–	–	67
Mr. Yau Kit Yu	49	–	–	49
	263	–	–	263
Total emoluments	704	573	15	1,292

1 Ms. Lam Man Chi was appointed as an independent non-executive director on 23 February 2021.

2 Mr. Peng Lichun was resigned as an executive director on 14 June 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Save for disclosed in Note 34 to these consolidated financial statements, no significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which the directors of the Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of the both years or at any time during the both years.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Employees' emoluments

Of the five individuals with the highest emoluments of the Group, one (2021: two) was director of the Company. The emoluments of the remaining four (2021: three) individuals are set out as follows:

	2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	**3,237**	1,673
Contributions to retirement benefits schemes	**64**	44
	3,301	1,717

Their emoluments are within the following band:

	2022 Number of employees	2021 Number of employees
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	4	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during both years.

12. INCOME TAX

	2022 RMB'000	2021 RMB'000
Current tax – PRC Enterprise Income Tax:		
Charge for the year	**–**	–
	–	–

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

Under the 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%.

Taxation for the Year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Loss before tax	**(57,508)**	(113,422)
Tax credit at applicable tax rate of 25% (2021: 25%)	**(14,377)**	(28,355)
Effect of different tax rates of other jurisdictions	**385**	291
Tax effect for tax loss not recognised	**3,285**	4,172
Tax effect of expenses not deductible for tax purpose	**10,033**	24,106
Tax effect of income not taxable for tax purpose	**(294)**	(1,373)
Tax effect of different tax rates in other jurisdictions	**968**	1,159
Tax for the year	**–**	–

As at 31 December 2022, the Group had estimated unused tax losses of RMB119,362,000 (2021: RMB104,498,000) available for offset against future profits. Included in unrecognised tax losses are losses of RMB42,837,000 (2021: RMB37,773,000) that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

12. INCOME TAX (continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB2,773,000 (2021: RMB18,493,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: nil).

14. LOSS PER SHARE

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

	2022 **RMB'000**	2021 RMB'000
Loss for the purpose of basic and diluted loss per share Loss for the year attributable to owners of the Company	**(57,469)**	(113,154)

	Number of shares **2022** **'000**	 2021 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(Note)*	**172,800**	172,800

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 does not assume the exercise of the Company's share options since they have no dilative effect. Therefore, the basic and diluted loss per share are the same.

Note: The calculation of basic and diluted loss per share amount is based on the Company's loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year of 172,800,000 (2021: 172,800,000 (restated) ordinary shares), as adjusted to reflect retrospectively impact of share consolidation completed on 5 August 2022.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
COST					
At 1 January 2021	6,689	4,855	2,995	8,161	22,700
Additions	–	283	–	422	705
Effect of foreign currency exchange difference	–	(284)	–	–	(284)
Disposal/written off	–	(427)	–	(9)	(436)
At 31 December 2021 and 1 January 2022	6,689	4,427	2,995	8,574	22,685
Effect of foreign currency exchange difference	–	(312)	–	–	(312)
Disposal/written off	–	–	(23)	–	(23)
At 31 December 2022	6,689	4,115	2,972	8,574	22,350
ACCUMULATED DEPRECIATION					
At 1 January 2021	2,845	3,146	2,113	8,066	16,170
Provided for the year	362	47	76	516	1,001
Effect of foreign currency exchange difference	–	(86)	–	–	(86)
Disposals/written off	–	(349)	–	(8)	(357)
At 31 December 2021 and 1 January 2022	3,207	2,758	2,189	8,574	16,728
Provided for the year	428	745	87	–	1,260
Effect of foreign currency exchange difference	–	(278)	–	–	(278)
Disposals/written off	–	–	(12)	–	(12)
At 31 December 2022	3,635	3,225	2,264	8,574	17,698
CARRYING AMOUNTS					
At 31 December 2022	3,054	890	708	–	4,652
At 31 December 2021	3,482	1,669	806	–	5,957

15. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022 and 2021, the Group is in the process of obtaining the title deeds from relevant government authorities for residential properties in the PRC received by the Group in consideration for advertising services rendered, amounting to RMB2,377,000 (2021: RMB2,400,000). In the opinion of the directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

16. RIGHT-OF-USE ASSETS

	Leased Properties RMB'000
Cost	
At 1 January 2021	2,936
Additions	1,468
Written-off upon lease expiration	(2,936)
Effect of foreign currency exchange difference	(80)
At 31 December 2021 and 1 January 2022	1,388
Effect of foreign currency exchange difference	355
At 31 December 2022	1,743
Accumulated depreciation	
At 1 January 2021	2,590
Provided for the year	964
Written-off upon lease expiration	(2,936)
Effect of foreign currency exchange difference	(86)
At 31 December 2021 and 1 January 2022	532
Provided for the year	776
Effect of foreign currency exchange difference	302
At 31 December 2022	1,610
Carrying amounts	
At 31 December 2022	133
At 31 December 2021	856

16. RIGHT-OF-USE ASSETS (continued)

Lease liabilities of RMB151,000 (2021: RMB953,000) are recognised with related right-of-use assets of RMB133,000 (2021: RMB856,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of total cash outflow of leases is set out in the consolidated of Statement of cash flow.

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of one to two years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Financial assets at fair value through profit or loss – Equity securities listed in Hong Kong	**12,732**	19,334

Fair value are determined with reference to quoted market bid prices.

18. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Trade receivables

	2022 **RMB'000**	2021 RMB'000
Trade receivables	**99,088**	80,295
Less: Allowance for expected credit losses	**(41,811)**	(35,016)
	57,277	45,279

18. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

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:

	2022 **RMB'000**	2021 RMB'000
Trade receivables:		
Within 90 days	**11,167**	13,987
91 – 180 days	**4,688**	–
181 – 365 days	**8,358**	8,007
Over 1 year	**33,064**	23,285
	57,277	45,279

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for the year ended 31 December 2022 and 2021, are as follows:

	Total RMB'000
Balance as at 1 January 2021	37,232
Reversal of expected credit losses, net	(4,168)
Exchange realignment	1,952
Balance as at 31 December 2021 and 1 January 2022	35,016
Allowance for expected credit losses, net	3,824
Exchange realignment	2,971
Balance as at 31 December 2022	41,811

Note: Reversal of allowance of ECL is due to the Group's recovery of receivable.

During the year ended 31 December 2022, the additional ECL amount to RMB3,824,000 provided mainly due to the increased in the overdue balance for the trade receivables and further increase in the default rate for the long outstanding trade receivables balance. The allowance for expected credit losses increased by approximately RMB6,795,000, net of exchange realignment of RMB2,971,000 (2021: RMB1,952,000) for trade receivables during the year ended 31 December 2022. Details of impairment assessment under expected credit loss model of trade receivables for the year ended 31 December 2022 and 2021 set out in Note 31.

The trade receivables are dominate in RMB and HK$ amount for both years.

18. TRADE RECEIVABLES/PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Prepayments, deposits and other receivables

	2022 RMB'000	2021 RMB'000
Current:		
Other receivables, deposits and prepayments *(Note (ii))*	**8,001**	3,594
Prepayments for agency fees for printed media and outdoor and digital advertising	**1,012**	1,936
Refundable deposits for termination of film investments *(Note (i), (ii) and (iii))*	**3,029**	2,974
	12,042	8,504
Non-current:		
Other deposits and prepayments	**3,841**	2,783
	15,883	11,287

Notes:

(i) Amount represents refundable deposit to be received from a co-investor upon the termination of one film investments on 31 December 2022 (2021: one) and receivables from co-investors for join investments of movies.

(ii) Movement in allowance for ECL that has been recognised for deposits and other receivables under ECL model of IFRS 9 for the year ended 31 December 2022 and 2021 was detailed in note 31.

(iii) The carrying amount was net of impairment loss of approximately RMB26,278,000 recognised in 2019 based on the impairment assessment performed by the Group.

19. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

Film rights

	2022 RMB'000	2021 RMB'000
COST		
At the beginning of the year	**15,893**	70,916
Additions	**7,754**	–
Recognised as an expense included in cost of sales	**(13,139)**	(15,145)
Impairment of film rights	**(2,585)**	(37,887)
Effect of foreign currency exchange difference	**1,142**	(1,991)
At the end of the year	**9,065**	15,893

19. FILM RIGHTS/PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS (continued)

Film rights (continued)

During the year ended 31 December 2022, additions of RMB7,754,000, which represented transfers from prepayment for film and entertainment business, were recorded (2021: Nil).

As at 31 December 2022 and 2021, 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

	2022 **RMB'000**	2021 RMB'000
Current	**17,236**	35,047
Non-current	**11,497**	19,561
	28,733	54,608

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.

During the year ended 31 December 2022, impairment of approximately RMB22,401,000 was made (2021: RMB65,395,000).

Impairment of film rights and prepayment of film and entertainment business

Due to the pandemic impact in the previous three years, the Group faced the challenging time on the economic downturn of the film and television industry in China. The impairment loss on film rights and prepayment of film and entertainment business recognised during the year ended 31 December 2022 and 2021 mainly due to the uncertainty on the recoverability from the Group's customer which is the production company situated in China. During the year 31 December 2022, the management of the Group identified certain production companies which signed contract with the Group in the previous year had financial difficulties or gone out of business. In addition, some of the film production experience significant delay and incurred additional cost. As the result, further impairment loss was provided during the year by reflect the current market situation as at the year ended 31 December 2022.

20. PLEDGED BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS

	2022 **RMB'000**	2021 RMB'000
Cash and bank balances and restricted cash are denominated in foreign currencies of respective group entities:		
United States dollars ("US$")	**5**	651
Japanese Yen ("JPY")	**219**	469
Euro ("EUR")	**29**	409

The cash and bank balances and bank deposits of RMB2,688,000 (2021: RMB11,300,000), denominated in RMB, are not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2021, pledged bank deposits carry interest at prevailing market rates which range from 0.3%-2.45% per annum and represent deposits pledged to a bank to secure short-term banking facility granted to the Group. During the year ended 31 December 2022, the pledged bank deposits was withdrawn due to the expiry of the short term banking facility.

The Group's prepaid card service is regulated by the SVF license issued by the Hong Kong Monetary Authority ("HKMA"). The prepaid card services required to maintain certain level of cash balance in the bank account with reference to the cash received from client and it is under the monitor of HKMA. As at 31 December 2022, cash balances of RMB233,463,000 (2021: RMB175,122,000) has been received from and restricted for the use by prepaid card customers. The Group has recognised the corresponding liabilities to respective external clients as restricted cash received from prepaid card holders of RMB196,676,000 (2021: RMB153,825,000). However, the Group does not have a currently enforceable right to offset those payables with the restricted cash.

21. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

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

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

	2022 RMB'000	2021 RMB'000
Within 90 days	**18,869**	11,286
91 – 180 days	**6,299**	–
Over 180 days	**504**	3,464
	25,672	14,750

Trade payables are dominate in RMB and HK$ amount for both years.

Other payables and accruals

	2022 RMB'000	2021 RMB'000
Other payables *(Note)*	**196,676**	153,825
Accrued salaries and staff welfare	**200**	195
Other accruals	**41,959**	33,371
Other tax payable	**1,588**	1,408
	240,423	188,799

Note: Other payables amounting RMB196,676,000 (2021: RMB153,825,000) was related to restricted cash received from prepaid card holders and held for who 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.

22. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Receipts in advance	**366**	1,738

22. CONTRACT LIABILITIES (continued)

	For the year ended 31 December 2022		
	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Total RMB'000
Balance at 1 January	**1,640**	**98**	**1,738**
Decrease in contract liability as a result of recognising revenues during the year	**(1,640)**	**–**	**(1,640)**
Increase in contract liabilities excluding amounts recognised as revenue during the year	**260**	**–**	**260**
Effect of foreign currency exchange difference	**–**	**8**	**8**
Balance at 31 December	**260**	**106**	**366**

	For the year ended 31 December 2021		
	Outdoor and digital advertising RMB'000	Film and entertainment investment RMB'000	Total RMB'000
Balance at 1 January	1,567	101	1,668
Decrease in contract liability as a result of recognising revenues during the year	(1,567)	–	(1,567)
Increase in contract liabilities excluding amounts recognised as revenue during the year	1,640	–	1,640
Effect of foreign currency exchange difference	–	(3)	(3)
Balance at 31 December	1,640	98	1,738

23. LEASE LIABILITIES

At 31 December 2022 and 2021, the Group had lease liabilities repayable as follows:

	2022		2021	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**151**	**171**	814	1,026
After 1 year but within 2 years	**–**	**–**	139	171
	151	**171**	953	1,197
Less: total future interest expenses		**(20)**		(244)
Present value of lease liabilities		**151**		953
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(151)**		(814)
Amount due for settlement after 12 months (shown under non-current liabilities)		**–**		139

The weighted average incremental borrowings rates applied to lease liabilities was 3.99% (2021: 3.99%) per annum.

24. BOND PAYABLE

On 23 July 2020, the Company entered a bond agreement with a company which is independent to the Group with a principal value of HK$12,000,000 (equivalent to approximately RMB10,843,000). The bond bears interest rate at 12% per annum and are due for repayments on 22 July 2023.

On initial recognition, the fair value of bond issued by the Company were determined based on the present value of the contractual stream of future cash flows discounted at rate at 12% per annum. The discount rate is determined with reference to the yield rate with credit rating and duration similar to the bond note.

24. BOND PAYABLE (continued)

The details of the bond note for the year are set out below:

	2022 RMB'000	2021 RMB'000
At 1 January	**10,253**	10,556
Imputed interest charged	**1,241**	1,177
Repayments during the year	**–**	(1,176)
Exchange realignment	**905**	(304)
At 31 December	**12,399**	10,253
Less: Amount due within one year classified as current liabilities	**(12,399)**	(1,174)
Amount due after one year classified as non-current liabilities	**–**	9,079

25. SHARE CAPITAL

	Number of shares	**Share capital** US$'000	**Shown in the consolidated financial statements as** RMB'000
Ordinary shares of US$0.04 each			
Authorised:			
As at 1 January 2021, 31 December 2021 and 1 January 2022	4,000,000,000	40,000	N/A
Share consolidation	(3,000,000,000)	–	N/A
As at 31 December 2022	1,000,000,000	40,000	N/A
Issued and fully paid:			
As at 1 January 2021, 31 December 2021 and 1 January 2022	691,200,000	6,912	44,567
Share consolidation (Note)	(518,400,000)	–	–
As at 31 December 2022	172,800,000	6,912	44,567

25. SHARE CAPITAL (continued)

Note:

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 5 August 2022, the shareholders of the Company have approved the proposed share consolidation for every four shares of US$0.01 each into one consolidated share of par value of US$0.04 each in issued and unissued share capital of the company ("Share Consolidation").

Further details on the Share Consolidation were set out in the announcements of the Company dated 25 July 2022 and the poll results of the extraordinary general meeting were set out in the announcement of the Company dated 31 August 2022.

26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

A share option scheme was adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 17 December 2010 (the "Old Share Option Scheme") and the Old Share Option Scheme was expired on 16 December 2020. A new share option scheme was adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 30 June 2021 (the "New Share Option Scheme").

The purpose of the New Share Option Scheme is to enable the Group to grant options to eligible participants as incentives or rewards for their contribution to the Group. The directors consider the New Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the directors and other eligible participants for their contributions to the Group.

The participants of the New Share Option Scheme include (i) any full-time or part-time employees (including any directors, whether executive or non-executive and whether independent or not) of the Group or any entity ("Invested Entity") in which any member of the Group holds an equity interest; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; (iii) any customer of any member of the Group or any Invested Entity; (iv) any substantial shareholder of any member of the Group or any Invested Entity; (v) any adviser (professional or otherwise) or consultant to any area of finance or business development of any member of the Group or any Invested Entity; (vi) any partners of joint venture, business alliance or other business arrangement who have contributed or may contribute to the development and growth of the Group.

26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

The maximum number of the shares that may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option scheme of the Group) under the New Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue on the adoption date (the "General Scheme Limit") i.e., on 30 June 2021. The Company may seek approval of the shareholders in a general meeting to refresh the General Scheme Limit provided that the total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme of the Group shall not exceed 10% of the number of shares in issue as at the date of approval of the limit. The maximum number of shares which may be allotted and issued upon exercise of the options to be granted under the New Share Option Scheme is 69,120,000 (after share consolidation completion on 25 August 2022 was 17,280,000), representing 10% of the number of shares in issue as at 31 December 2022.

The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in a general meeting of the Company with such grantee and his, her or its close associates abstaining from voting. The number and terms (including the exercise price) of options to be further granted must be fixed before the approval of the shareholders and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence from the date of offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination of the New Share Option Scheme.

Unless otherwise determined by the directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the New Share Option Scheme for which an option must be held or any performance target which must be achieved before an option can be exercised under the terms of the New Share Option Scheme.

26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise price for the shares under the New Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer for the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer for the grant; and (iii) the nominal value of a share.

The New Share Option Scheme will remain in force for a period of 10 years commencing on 30 June 2021, which is the date it is adopted.

During the year ended 31 December 2022, aggregate share options of 69,120,000 were granted to certain employees on 11 April 2022. The share options granted were vested immediately. The validity period of the share options is 2 years from the date of grant. The fair values of the options granted on 11 April 2022 determined using the Binomial Model is RMB2,447,000.

Details of the movements of the share options granted by the Company pursuant to the Share Option Scheme from the date of grant are as below:

			Number of share options								
Category	Date of grant *(Note i)*	Exercise price per share HK$	Outstanding at 1 January 2021	Granted during the year	Lapsed during the year	Outstanding at 31 December 2021	Granted during the year	Effect of share consolidation completed on 25 August 2022	Lapsed during the year	Outstanding at 31 December 2022	Exercise price (adjusted after share consolidation) HK$
Consultants	05.07.2019	0.029	46,080,000	–	(46,080,000)	–	–	–	–	–	0.29
Mr. Ruan Deqing, the executive director	05.07.2019	0.029	5,760,000	–	(5,760,000)	–	–	–	–	–	0.29
Mr. Ma Pun Fai, the executive director	05.07.2019	0.029	5,760,000	–	(5,760,000)	–	–	–	–	–	0.29
Employees	11.12.2020	0.078	57,600,000	–	–	57,600,000	–	(43,200,000)	(14,400,000)	–	0.312
Employees	11.04.2022	0.112	–	–	–	–	69,120,000	(51,840,000)	–	17,280,000	0.448
Total			115,200,000	–	57,600,000	57,600,000	69,120,000	((95,040,000)	(14,400,000)	17,280,000	
Exercisable at 31 December 2022										17,280,000	
Weighted average exercise price (HK$)			0.078			0.078				0.112	

Notes:

(i) The period within which the share options must be exercised shall not be more than 2 years from the date of grant.

(ii) The Group recognised the total expense of RMB2,447,000 for the year ended 31 December 2022 in relation to the share options granted to the employees of the Company. All the share options were vested during the year ended 31 December 2022.

26. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

The fair value of share options were calculated using the Binomial Model. The inputs into the model were as follows:

	2022	2020
Grant date share price	HK$0.112	HK$0.048
Exercise price	HK$0.112	HK$0.078
Expected volatility	98.39%	83.00%
Expected life	2 years	2 years
Risk-free rate	2.11%	0.18%
Expected dividend yield	–	–

Estimate fair value and measurement method

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 17,280,000 share options outstanding under the New Share Option Scheme and the total number of shares available for issue under the New Share Option Scheme was 17,280,000, which represented 10% of the Company's shares in issue as at 31 December 2022 and the date of this annual report. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,280,000 additional ordinary shares of the Company and additional funds raised of approximately HK$7,741,000 (equivalent to approximately RMB6,669,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options were exercised.

During the year ended 31 December 2022, there were 14,400,000 (2021: 57,600,000) share option lapsed.

27. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group and the employees shall make contributions based on a percentage of the employee's basic salary with a cap of HK$1,500 per month and recognised in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the plan are held separately from those of the Group in funds under the control of trustees.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute 20%-22% (2021: 20%-22%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2022, the Group made total contributions to the retirement benefits schemes of RMB656,000 (2021: RMB724,000).

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the MPF Scheme and the retirement benefit scheme in the PRC that might be used by the Group to reduce the existing level of contributions.

28. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

29. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and risk associated with the capital. The Group will balance its overall capital structure through new share issues or the dividend payment to shareholders.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2022 and 2021. No changes were made in the Group's overall strategy on its objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 **RMB'000**	2021 RMB'000
Financial assets		
Financial assets at amortised costs (including cash and cash equivalents)	**299,567**	240,900
Financial assets at fair value through profit or loss	**12,732**	19,334
Financial liabilities		
Amortised cost	**278,645**	214,755

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, refundable deposits and other receivables, pledged bank deposits, restricted cash, cash and cash equivalents, trade payables, other payables and accruals, lease liabilities and bond payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (continued)

Market risk

Currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB, while the Group still has certain foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at end of the reporting period, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currencies other than functional currencies of the respective group entities are as follows:

	US$		JPY		EUR	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Restricted cash	**5**	651	**219**	469	**29**	409

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in the functional currency of the respective group entities against relevant foreign currencies and all other variables were held constant. 5% (2021: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2021: 5%) change in foreign currency rates. The negative numbers below indicate decrease in post-tax loss for the year ended 31 December 2022 where the functional currency of the respective group entities strengthens 5% (2021: 5%) against the relevant foreign currencies. For a 5% (2021: 5%) weakening of the functional currency of the respective group entities against the relevant foreign currencies, there would be an equal and opposite impact on the result for the year.

	2022	2021
	RMB'000	RMB'000
Profit or loss	**13**	76

31. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits, short-term bank deposits and cash and cash equivalents. The management has considered that the cash flow interest rate risk is limited because the current market interest rates on general deposits are relatively low and stable. The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate pledged bank deposits, restricted cash and cash and cash equivalents as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

Price Risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the chief financial officer of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is set as 10% as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% higher/lower, the loss for the year ended 31 December 2022 would decrease/increase by RMB1,063,000 (2021: RMB1,614,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

31. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables, pledged bank deposits, restricted cash and cash and cash equivalents.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risks with exposure limited to certain customers. Trade receivables (after impairment) from the five largest debtors at 31 December 2022 represented 56% (2021: 66%) of the total trade receivables. The management closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2022	Not past due	0 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate (%)	2%	4%	4%	18%	54%	42%
Gross carrying amount (RMB'000)	9,171	2,298	4,888	10,171	72,560	99,088
Lifetime ECL (RMB'000)	(209)	(94)	(200)	(1,812)	(39,496)	(41,811)
Carrying amount (RMB'000)	8,962	2,204	4,688	8,359	33,064	57,277

As at 31 December 2021	Not past due	0 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Expected credit loss rate (%)	3%	–%	–%	11%	59%	44%
Gross carrying amount (RMB'000)	14,433	–	–	8,987	56,875	80,295
Lifetime ECL (RMB'000)	(446)	–	–	(979)	(33,591)	(35,016)
Carrying amount (RMB'000)	13,987	–	–	8,008	23,284	45,279

31. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

As at 31 December 2022 and 2021, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Refundable Deposits and other receivables

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and other deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The movement of loss allowances for refundable deposits and other receivables during the year are as follows:

	Other receivables RMB'000	Refundable deposits RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	995	31,748

As at the year ended 31 December 2022 and 2021, there is no significant increase in the other receivables and refundable deposit balance. The directors of the Company believe that there are no significant increase in credit risk of refundable deposit since initial recognition and the Group has realistic prospect of recovery.

Pledged bank deposits/restricted cash/cash and cash equivalents

The credit risk on pledged bank deposits, restricted cash and cash and cash equivalents are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

31. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internal fundings as a significant source of liquidity.

2022	Interest rate	Carrying amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade payables		25,672	25,672	25,672	–	–
Other payables and accrual		240,423	240,423	240,423	–	–
Bonds payable	12%	12,399	15,053	15,053	–	–
Lease liabilities	3.99%	151	171	171	–	–
		278,645	281,319	281,319	–	–

2021	Interest rate	Carrying amount RMB'000	Total Contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Trade payables		14,750	14,750	14,750	–	–
Other payables and accrual		188,799	188,799	188,799	–	–
Bonds payable	12%	10,253	15,053	–	15,053	–
Lease liabilities	3.99%	953	1,197	1,026	171	–
		214,755	219,799	204,575	15,224	–

The directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future the short-term liabilities are required to be repaid within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique and key inputs
Financial assets at fair value through profit or loss – listed securities in Hong Kong	RMB12,732,000 (2021: RMB19,334,000)	Level 1	Quoted share prices in an active market.

There is no transfer between different levels of the fair value hierarchy for the year ended 31 December 2022.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values as at 31 December 2022 and 2021.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the equity-settled share-based payment were approximately RMB2,447,000.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Bond payable RMB'000 *(note 24)*	**Lease liabilities** RMB'000 *(note 23)*
At 1 January 2021	10,556	364
Additions	–	1,468
Accrued interest	1,177	47
Financing cash outflows	(1,176)	(924)
Exchange realignment	(304)	(2)
At 31 December 2021 and 1 January 2022	10,253	953
Accrued interest	1,241	24
Financing cash outflows	–	(884)
Exchange realignment	905	58
At 31 December 2022	12,399	151

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

Related party transactions

	2022 **RMB'000**	2021 RMB'000
Advertising agency fee paid by a related party on behalf of the Group	**111**	120

The above transactions are charged at a pre-determined rate mutually agreed by the parties. The directors are of the opinion that these related party transactions were conducted in the ordinary course of business.

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 as disclosed in note 11, is as follows:

	2022 **RMB'000**	2021 RMB'000
Short term employee benefits	**1,275**	1,277
Post-employment benefits	**32**	15
	1,307	1,292

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company 2022	2021	Principal activities
Directly owned					
香港奧神投資有限公司 Hong Kong Ao Shen	Hong Kong	HK$100	**100%**	100%	Provision of management services
三七三金融集團有限公司 373 Finance Group Limited (formerly known as 香港奧神製作有限公司 Hong Kong Ao Shen Production Limited)	British Virgin Islands	US$100	**100%**	100%	Investment holding
Level Up Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Investment holding
Indirectly owned					
三三金融服務有限公司 33 Financial Services Limited	Hong Kong	HK$112,000,000	**100%**	100%	Prepaid card business
三三服務有限公司 33 Services Limited (formerly known as 三三信貸服務有限公司 33 Credit Services Limited)	Hong Kong	HK$10,000	**100%**	100%	Film and entertainment investment
三三金融科技有限公司 33 Financial Technology Limited	Hong Kong	HK$5,000,000	**100%**	100%	Dormant
奧神技術服務(福州)有限公司[1] Ao Shen Technology	PRC	US$15,000,000	**100%**	100%	Provision of consulting services
福建省奧神傳媒廣告有限責任公司[2,3] Fujian Ao Shen	PRC	RMB31,630,000	**–**	–	Provision of advertising services
北京大提速傳媒廣告有限公司[2,3] Beijing Datisu	PRC	RMB27,000,000	**–**	–	Provision of advertising services

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company		Principal activities
			2022	2021	
北京奧神傳媒廣告有限公司[3] Beijing Aoshen Media Advertising Co., Ltd. ("Beijing Aoshen")	PRC	RMB20,000,000	100%	100%	Provision of advertising services
上海山山傳媒廣告有限公司[3] Shanghai Shanshan Media Advertising Co., Ltd.	PRC	RMB2,000,000	100%	100%	Provision of advertising services
廣州奧神廣告有限公司[3] Guangzhou Aoshen Advertising Co., Ltd.	PRC	RMB2,000,000	100%	100%	Provision of advertising services
濟南奧神廣告傳媒有限公司[3] Jinan Aoshen Advertising Media Co., Ltd.	PRC	RMB2,010,000	100%	100%	Provision of advertising services
瀋陽奧神傳媒廣告有限公司[3] Shenyang Aoshen Media Advertising Co., Ltd.	PRC	RMB2,000,000	85%	85%	Provision of advertising services
北京泛沛文化傳播有限公司[2,3] Beijing FanPei Culture Media Co., Ltd ("Beijing FanPei")	PRC	RMB1,000,000	–	–	Provision of advertising services

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Notes:

1 The entity is registered as a wholly-foreign-owned enterprise under PRC law.

2 The Group does not have any equity interest in the registered capital of the Contracting Entities as they are established and owned as to 50% and 50% by Mr. Lin and Mr. Ruan. Pursuant to the Contractual Arrangements as disclosed in note 4, the registered shareholders of the Contracting Entities agreed to assign all the shareholders' rights of the Contracting Entities and to assign the power to appoint and remove all the members of the board of directors and to govern the financial and operating policies of the Contracting Entities to the Group. The directors of the Company consider that such agreements give the Group the current ability to direct the relevant activities of the Contracting Entities. In the opinion of the directors of the Company, all the terms of these agreements are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. With the power over the Contracting Entities and the ability to use the power over the Contracting Entities to affect the amount of the Group's return, the Group treats the Contracting Entities as wholly-owned subsidiaries of the Company under IFRS 10 and the Contracting Entities' results, assets and liabilities are consolidated with those of the Group.

Fujian Ao Shen holds 70% equity interests of Fuzhou Haidu and Beijing Datisu holds 60% equity interests of Beijing Zhong Shi for 2019. On 2 January 2019, Beijing Datisu acquire 100% of the entire issued share capital of Beijing FanPei. Pursuant to the respective Memorandum and Articles of Association of Fuzhou Haidu, the daily operating and financial affairs are decided by board of directors with simple majority of votes. Fujian Ao Shen controls two-thirds of the voting powers in the board of directors of Fuzhou Haidu which give the Group the current ability to direct the relevant activities of these entities. Pursuant to the Memorandum and Articles of Association of Beijing Zhong Shi, the daily operating and financial affairs are decided by board of directors with two-thirds of votes. Beijing Datisu controls 100% of the voting powers in the board of directors of Beijing Zhong Shi which give the Group the current ability to direct the relevant activities of this entity. Accordingly, Fuzhou Haidu, Beijing Zhong Shi and Beijing FanPei are treated as subsidiaries of the Company under IFRS 10 and their results, assets and liabilities are consolidated with those of the Group. On 25 September 2020, Fuzhou Haidu completed the deregistration process, as detailed in note 32, and Fujian Ao Shen no longer held any equity interest in Fuzhou Haidu. As at 31 December 2020, Beijing Datisu remains to hold 60% equity interests of Beijing Zhong Shi.

3 These entities are registered as limited liability companies under the applicable PRC's laws.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the opinion of the directors, there is no subsidiarity that have non-controlling interests individually that are material of the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

36. FINANCIAL INFORMATION OF THE COMPANY

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Investments in subsidiaries		**63,837**	58,831
Amounts due from subsidiaries *(Note (i))*		**–**	–
		63,837	58,831
Current assets			
Prepayment, deposits and other receivables		**7,990**	7,374
Amounts due from subsidiaries *(Note (iii))*		**32,160**	31,630
Cash and cash equivalents		**249**	186
		40,399	39,190
Current liabilities			
Accruals		**7,442**	3,738
Amounts due to subsidiaries *(Note (ii))*		**7,526**	6,935
Bond payable		**12,399**	1,174
		27,367	11,847
Net current assets		**13,032**	27,343
Total assets less total current liabilities		**76,869**	86,174
Non-current liability			
Bond payable		**–**	9,079
NET ASSETS		**76,869**	77,095
Capital and reserves			
Share capital	25	**44,567**	44,567
Reserves *(Note (iv))*		**32,302**	32,528
		76,869	77,095

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023 and signed on its behalf by:

Ruan Deqing
DIRECTOR

Ma Pun Fui
DIRECTOR

36. FINANCIAL INFORMATION OF THE COMPANY (continued)

Notes:

(i) Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The fair value of the amounts due from subsidiaries are determined based on the effective interest rate of 5% (2021: 5%) per annum on initial recognition. The difference between the principal amount and the fair value determined on initial recognition of RMB62,245,000 (2020: RMB62,245,000) is debited to investments in subsidiaries. As 31 December 2022, amount of Nil (2021: Nil) represents balance with interest charged at 5% (2021: 5%) per annum as the entire balance was impaired during the year ended 31 December 2020 due to the poor performance of the subsidiaries.

(ii) Amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

(iii) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

(iv) Reserves of the Company

	Share premium RMB'000	Share redemption reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	626,463	19	5,199	(1,616)	(485,190)	144,875
Loss for the year	–	–	–	–	(103,376)	(103,376)
Exchange differences on translation	–	–	–	(8,971)	–	(8,971)
Total comprehensive loss	–	–	–	(8,971)	(103,376)	(112,347)
Transfer upon share option lapsed	–	–	(4,610)	–	4,610	–
At 31 December 2021 and 1 January 2022	626,463	19	589	(10,587)	(583,956)	32,528
Loss for the year	**–**	**–**	**–**	**–**	**(19,320)**	**(19,320)**
Exchange differences on translation	**–**	**–**	**–**	**16,647**	**–**	**16,647**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**16,647**	**(19,320)**	**(2,673)**
Recognition of equity settled share-based payment	**–**	**–**	**2,447**	**–**	**–**	**2,447**
Transfer upon share option lapsed	**–**	**–**	**(589)**	**–**	**589**	**–**
At 31 December 2022	**626,463**	**19**	**2,447**	**6,060**	**(602,687)**	**32,302**

37. AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2023.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**71,049**	97,941	95,217	79,568	68,639
Loss before tax	**(57,508)**	(113,422)	(123,502)	(88,424)	(32,040)
Income tax	**–**	–	(163)	(56)	(43)
Loss for the year	**(57,508)**	(113,422)	(123,665)	(88,480)	(32,083)
Attributable to:					
Owners of the Company	**(57,469)**	(113,154)	(123,683)	(78,780)	(28,867)
Non-controlling interests	**(39)**	(268)	18	(9,700)	(3,216)
	(57,508)	(113,422)	(123,665)	(88,480)	(32,083)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**364,879**	343,925	410,065	504,400	523,737
Total liabilities	**(280,854)**	(217,855)	(173,263)	(141,689)	(91,996)
Non-controlling interests	**1,451**	1,412	1,144	16,687	8,175
Equity attributable to owners of the Company	**85,476**	127,482	237,946	379,398	439,916

The summary above does not form part of the audited consolidated financial statements.