



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

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8087

INTERIM REPORT 2021



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This report for which the directors (the "Directors") of China 33 Media Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.





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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2021, together with the comparative unaudited figures for the corresponding periods in 2020, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
REVENUE	4	61,636	50,143	33,065	27,700
Cost of sales		(54,142)	(40,871)	(30,610)	(21,127)
Gross profit		7,494	9,272	2,455	6,573
Other income		964	1,491	557	769
Other gains and losses, net	5	402	(763)	(2,255)	(931)
Selling and distribution expenses		(3,374)	(5,266)	(886)	(3,758)
Administrative expenses		(9,481)	(31,197)	(2,898)	(26,500)
Finance cost	6	(599)	(45)	(295)	(20)
LOSS BEFORE TAXATION		(4,594)	(26,508)	(3,322)	(23,867)
Taxation	7	—	(28)	—	(19)
LOSS FOR THE PERIOD	8	(4,594)	(26,536)	(3,322)	(23,886)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June		Three months ended 30 June	
		2021	2020	2021	2020
		(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		(4,013)	2,286	(5,613)	(1,485)
Exchange reserve released upon on disposal of subsidiary		–	3,640	–	3,640
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(8,607)	(20,610)	(8,935)	(21,731)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(4,587)	(26,432)	(3,320)	(23,846)
Non-controlling interests		(7)	(104)	(2)	(40)
		(4,594)	(26,536)	(3,322)	(23,886)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO:					
Owners of the Company		(8,600)	(20,506)	(8,933)	(21,691)
Non-controlling interests		(7)	(104)	(2)	(40)
		(8,607)	(20,610)	(8,935)	(21,731)
		RMB cents	RMB cents	RMB cents	RMB cents
BASIC AND DILUTED LOSS PER SHARE	10	(0.66)	(4.59)	(0.48)	(4.14)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Non-current assets			
Property, plant and equipment		6,363	6,530
Right-of-use assets		–	346
Prepayments and deposits		2,864	2,911
Prepayment for film and entertainment business	11	36,575	36,916
		45,802	46,703
Current assets			
Film rights	12	61,916	70,916
Trade receivables	13	57,596	50,578
Prepayments, deposits and other receivables		12,215	12,246
Prepayment for film and entertainment business	11	69,189	69,834
Financial assets at fair value through profit or loss		9,383	14,848
Pledged bank deposits		2,821	2,841
Restricted cash		166,293	123,035
Cash and cash equivalents		18,252	19,064
		397,665	363,362
Current liabilities			
Trade payables	14	21,520	12,156
Other payables and accruals	14	181,560	147,380
Contract liabilities		–	1,668
Lease liabilities		–	364
Bond payable		1,080	488
Tax payable		1,137	1,139
		205,297	163,195
Net current assets		192,368	200,167
Total assets less current liabilities		238,170	246,870

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Non-current liabilities			
Bond payable		9,975	10,068
		9,975	10,068
Net assets		228,195	236,802
Capital and reserves			
Share capital	15	44,567	44,567
Reserves		184,779	193,379
Equity attributable to owners of the Company		229,346	237,946
Non-controlling interests		(1,151)	(1,144)
Total equity		228,195	23,802

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000			
At 1 January 2020 (audited)	36,721	626,521	26,239	13,174	19	34,188	4,610	(362,074)	379,398	(16,687)	362,711
(Loss) profit for the period	–	–	–	–	–	–	–	(26,432)	(26,432)	(104)	(26,536)
Other comprehensive income for the period:											
Released upon disposal of subsidiary	–	–	–	–	–	3,640	–	–	3,640	–	3,640
Exchange differences on translation of foreign operations	–	–	–	–	–	2,286	–	–	2,286	–	2,286
Total comprehensive (expense) income for the period	–	–	–	–	–	5,926	–	(26,432)	(20,506)	(104)	(20,610)
Released upon disposal of subsidiary	–	–	–	–	–	–	–	–	–	13,500	13,500
At 30 June 2020 (unaudited)	36,721	626,521	26,239	13,174	19	40,114	4,610	(388,506)	358,892	(3,291)	355,601
At 1 January 2021 (audited)	44,567	626,463	26,239	13,174	19	8,042	5,199	(485,757)	237,946	(1,144)	236,802
Loss for the period	–	–	–	–	–	–	–	(4,587)	(4,587)	(7)	(4,594)
Exchange differences on translation of foreign operations	–	–	–	–	–	(4,013)	–	–	(4,013)	–	(4,013)
Total comprehensive expense for the period	–	–	–	–	–	(4,013)	–	(4,587)	(8,600)	(7)	(8,607)
At 30 June 2021 (unaudited)	44,567	626,463	26,239	13,174	19	4,029	5,199	(490,344)	229,346	(1,151)	228,195

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(2,649)	(9,611)
Net cash from investing activities	1,988	1,358
Net cash used in financing activities	(3)	(774)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(664)	(9,027)
Cash and cash equivalents at beginning of period	19,064	18,573
Effect of foreign exchange rate changes, net	(148)	2,074
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,252	11,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China 33 Media Group Limited (the “Company”) is a public limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Its parent is Lizhong Limited incorporated in the Cayman Islands, and its ultimate parents are Joint Loyal Limited and Broad Win Limited incorporated in British Virgin Islands. Its ultimate controlling parties are Mr. Ruan Deqing (“Mr. Ruan”) and Mr. Lin Pintong (“Mr. Lin”). Mr. Ruan is also the Chairman and Executive Director of the Company. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Unit 807, 8/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Hong Kong. The head office of the Company in the PRC is Unit 410-412, 4/F., One Indigo, 20 Jiuxianqiao Road, Chaoyang District, Beijing, China.

The principal activity of the Company is investment holding. During the six months ended 30 June 2021, the Group was principally engaged in the provision of outdoor and digital advertising services, film and entertainment investment, prepaid card business and provision of printed media advertising services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those applied in the Group’s audited consolidated financial statements for the year ended 31 December 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. APPLICATION OF NEW AND REVISED IFRS

In the current period, the Group has applied the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2021. The application of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

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

4. REVENUE AND OPERATING SEGMENT INFORMATION

	Six months ended 30 June		Three months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follows:				
Printed media advertising income	–	208	–	96
Outdoor and digital advertising income	42,372	36,503	22,739	18,742
Film and entrainment investment income	9,104	3,639	5,344	3,639
Prepaid card income	10,160	9,793	4,982	5,223
Total	61,636	50,143	33,065	27,700

The Group's reportable and operating segments are as follows:

- printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;
- 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;
- 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
- prepaid card: transaction fees earned from participating service providers for the use of the prepaid cards by cardholders and other card related fees upon the provision of services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

	Printed media advertising (unaudited) RMB'000	Outdoor and digital advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2021					
Segment revenue – external customers	–	42,372	9,104	10,160	61,636
Timing of revenue recognition					
At a point in time	–	–	9,104	10,160	19,264
Over time	–	42,372	–	–	42,372
Segment profit/(loss)	(37)	474	(205)	249	481
<i>Reconciliation:</i>					
Bank interest income					716
Unallocated other income, other gains and losses, net					650
Finance cost					(599)
Corporate and other unallocated expenses					(5,842)
Loss before taxation					(4,594)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value change of financial assets at fair value through profit or loss	(996)	(716)	(2,255)	(952)
Gain on disposal of financial assets at fair value through profit or loss	1,398	–	–	–
Others	–	(47)	–	21
Total	402	(763)	(2,255)	(931)

6. FINANCE COST

	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense on lease liabilities	3	45	–	20
Interest expense on corporate bond	596	–	295	–
	599	45	295	20

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil)

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

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%.

	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax				
PRC Enterprise Income Tax	—	28	—	19

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation	693	1,066	350	512
Depreciation on right of use assets	341	778	172	387
Payment to short-term lease	–	75	–	45
Employee benefit expense (including directors' remuneration):				
Salaries, bonuses and other benefits	5,272	4,496	2,935	2,326
Pension scheme contributions	328	415	193	210
Total employee benefit expenses	5,600	4,911	3,128	2,536

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. LOSS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(4,587)	(26,432)	(3,320)	(23,846)

	Six months ended 30 June		Three months ended 30 June	
	2021 '000	2020 '000	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	691,200	576,000	691,200	576,000

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. PREPAYMENT FOR FILM AND ENTERTAINMENT BUSINESS

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Current	69,189	69,834
Non-current	36,575	36,916
	105,764	106,750

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.

12. FILM RIGHTS

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Cost		
At 1 January	70,916	93,012
Additions	–	75,268
Recognised as an expense included in cost of sales	(8,310)	(10,636)
Provision of film rights	–	(76,315)
Effect of foreign currency exchange difference	(690)	(10,413)
As at 30 June/31 December	61,916	70,916

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Trade receivables	94,662	87,810
Less: Allowance for expected credit losses	(37,066)	(37,232)
	57,596	50,578

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:

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Trade receivables:		
Within 90 days	12,314	13,889
91-180 days	1,520	1,261
181-365 days	8,295	1,871
Over 1 year	35,467	33,557
	57,596	50,578

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Within 90 days	7,478	9,291
91-180 days	1,616	–
Over 181 days	12,426	2,865
	21,520	12,516

Other payables and accruals

	30 June 2021 (unaudited) RMB'000	31 December 2020 (audited) RMB'000
Other payables (Note)	136,802	104,075
Accrued salaries and staff welfare	212	223
Other accruals	42,737	41,273
Other tax payable	1,809	1,809
	181,560	147,380

Note: Other payables amounting RMB136,802,000 (31 December 2020: RMB104,075,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of share	Share Capital US\$'000	Share Capital RMB'000
Authorised:			
Ordinary shares of US\$0.01 each as at 31 December 2020, 1 January 2021 and 30 June 2021	4,000,000,000	40,000	–
Issued and fully paid:			
Ordinary shares of US\$0.01 each as at 31 December 2020, 1 January 2021 and 30 June 2021	691,200,000	6,912	44,567

16. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June		Three months ended 30 June	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Short term employee benefit	556	1,123	281	562
Post employment benefit	9	35	5	18
	565	1,158	286	580

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS AND FINANCIAL REVIEW

The principal business of the Group during the period under review included outdoor and digital advertising, film and entertainment investment, prepaid card business and printed media advertising. The Group's total revenue for the six months ended 30 June 2021 amounted to approximately RMB61,636,000, representing an increase of approximately RMB11,493,000 or 22.9% as compared to approximately RMB50,143,000 for the corresponding period last year, mainly contributed by the recovery of business and economic environment, in particular the film and entertainment business and outdoor and digital advertising business, as the COVID-19 pandemic is stabilising gradually.

Overall gross profit decreased by approximately RMB1,778,000 or 19.2% to approximately RMB7,494,000 for the six months ended 30 June 2021 from approximately RMB9,272,000 for the corresponding period last year. The gross profit margin for the current period decreased to approximately 12.2% from approximately 18.5% in the corresponding period last year. The total comprehensive expense attributable to owners of the Company for the current period amounted to approximately RMB8,600,000, representing a decrease of approximately 58.1% as compared to approximately RMB20,506,000 for the corresponding period of last year. The decrease was mainly attributable to the expenses in respect of the disposal of a subsidiary recognised during the corresponding period of last 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 monthly nationwide periodicals distributed on China Railway High-speed ("RH" 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 six months ended 30 June 2021. It is expected that there will only be minimal revenue generated from printed media advertising during this year.

Outdoor and Digital Advertising

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

Revenue from digital advertising was recognized when advertising was published, and the income was based on the marketing value generated through the recognition of transaction volume, service fees for advertising design, analysis, planning and other services provided in the process.

Revenue from outdoor and digital advertising increased by approximately RMB5,869,000 or 16.1% from approximately RMB36,503,000 for the corresponding period last year to approximately RMB42,372,000 for the six months ended 30 June 2021. The increase was mainly due to increased number of customers.

Segment profit from outdoor and digital advertising for the six months ended 30 June 2021 amounted to approximately RMB474,000 while it was of approximately RMB2,590,000 for the corresponding period last year. The decrease was contributed by the increase in agency fee incurred.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. Revenue from the distribution of film rights and entertainment was recognised when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured. Revenue from film and entertainment business increased by approximately RMB5,465,000 or 150.2% from approximately RMB3,639,000 for the corresponding period last year to RMB9,104,000 for the six months ended 30 June 2021. The frequency of income from film and entertainment business was highly depending on the production status and the market trend for the respective periods. The film and entertainment industry has been recovering as compared to the early stage of the global outbreak of COVID-19 in year of 2020, which led to the increased revenue generated for the six months ended 30 June 2021.

Segment loss from film and entertainment business for the six months ended 30 June 2021 amounted to approximately RMB205,000, representing a decrease of approximately RMB3,610,000 or 94.6% as compared to approximately RMB3,815,000 the corresponding period last year. The decrease was contributed by lower public relation fee involved for the marketing and promotion.

Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016. Revenue from prepaid card business mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service was provided. Revenue from prepaid card business increased by approximately RMB367,000 or 3.7% from approximately RMB9,793,000 for the corresponding period last year to approximately RMB10,160,000 for the six months ended 30 June 2021.

Segment profit from prepaid card business for the six months ended 30 June 2021 amounted to approximately RMB249,000, representing a decrease of approximately RMB84,000 or 25.2% as compared to approximately RMB333,000 for the corresponding period last year.

Cost of Sales

Cost of sales mainly consists of production cost for film and entertainment projects, agency fee for advertising medium, prepaid card transaction processing costs and direct labor cost. Cost of sales increased from approximately RMB40,871,000 for the six months ended 30 June 2020 to approximately RMB54,142,000 for the current period, representing an increase of approximately RMB13,271,000 or 32.5%. The increase was mainly contributed by the increased cost, in particular the agency and production cost driven by the outdoor and digital advertising business.

Other Income

Other income decreased from approximately RMB1,491,000 for the six months ended 30 June 2020, to approximately RMB964,000 for the current period, representing a decrease of approximately RMB527,000 or 35.3%. The decrease was mainly contributed by the decreased bank interest income.

Other Gains and Losses, Net

Other gains and losses increased by approximately RMB1,165,000 or 152.7% from a net loss of approximately RMB763,000 for the corresponding period last year to a net gain of RMB402,000 for the six months ended 30 June 2021. The increase was mainly due to the disposal gain on financial assets at fair value through profit or loss recognised during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Selling and Distribution Expenses

Selling and distribution expenses mainly include advertising and marketing expenses, salaries, commissions to sales staff and travelling and related expenses. Selling and distribution expenses decreased by approximately RMB1,892,000 or 35.9% from approximately RMB5,266,000 for the six months ended 30 June 2020, to approximately RMB3,374,000 for the current period. The decrease was mainly contributed by decrease in marketing expenses.

Administrative Expenses

Administrative expenses mainly consists of salaries, depreciation, rental expense and legal and professional fees. Administrative expenses decreased from approximately RMB31,197,000 for the six months ended 30 June 2020 to approximately RMB9,481,000 for the current period, representing a decrease of approximately RMB21,716,000 or 69.6%, which was mainly due to the expenses in respect of the disposal of a subsidiary recognised during the corresponding period of last year.

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately RMB18,252,000. The Group had no bank borrowing as at 30 June 2021 and 31 December 2020. As at 30 June 2021, the Group had a bond payable in the principal amount of HK\$12 million (31 December 2020: HK\$12 million). The bond bears interest rate at 12% per annum and are due for repayments on 22 July 2023.

As at 30 June 2021, the current ratio was approximately 1.94 (31 December 2020: 2.23) and gearing ratio of the Group, which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt, was approximately 0.10 (31 December 2020: 0.10). The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 2021, the Group has approximately RMB2,821,000 pledged bank deposits to secure banking facilities, denominated in Hong Kong Dollars (31 December 2020: RMB2,841,000).

Restricted Cash

As at 30 June 2021, the Group has approximately RMB166,293,000 (31 December 2020: RMB123,035,000) monies received from sale and reloading of prepaid cards maintained in one or more segregated bank accounts. The increase in restricted cash by approximately 35.2% when compared to the corresponding period last year was contributed by increase in the amount of prepaid cards sold.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities (as at 31 December 2020: nil).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group did not have any significant capital commitment (as at 31 December 2020: nil).

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi for media and advertising business, while film and entertainment investment and prepaid card business were mainly settled in Hong Kong Dollars. The Group's cash and bank deposits are mainly denominated in Hong Kong Dollars and Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant. During the six months ended 30 June 2021, the Group did not hedge any exposure in foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 45 employees (30 June 2020: 49 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 six months ended 30 June 2021, the total staff costs (including Directors' emoluments) amounted to approximately RMB5,600,000 (six months ended 30 June 2020: RMB4,911,000).

PROSPECTS

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

CORPORATE GOVERNANCE

Recognising the importance of a listed company's responsibilities to enhance its transparency and accountability, the Company is committed to maintain a high standard of corporate governance in the interests of its shareholders. The Company devotes to best practice on corporate governance and to comply, to the extent practicable, with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. In the opinion of the Directors, the Company has complied with the CG Code during the six months ended 30 June 2021, save for code provision A.4.1 of the CG Code which requires that the non-executive directors should be appointed for a specific term and subject to re-election and code provision E.1.2 of the CG Code which requires that the chairman of the board should attend annual general meetings.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2021, none of the Directors or the controlling shareholders of the Company or their respective associates (as defined in GEM Listing Rules) had any interest in the business that competes or may compete with the business of the Group or had any other conflicts of interest with the Group.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The Group had no significant investments, material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021. The Group has no specific plan for material investments or capital assets as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held (Note 2)	Total	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation/ Beneficial owner	57,602,000 (Note 1)	5,760,000	63,362,000	9.17
Mr. Ma Pun Fai	Beneficial owner	–	5,760,000	5,760,000	0.83

Notes:

- (1) These Shares were registered in the name of and beneficially owned by Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which was owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal was owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan was deemed to be interested in all the Shares in which Joint Loyal was interested by virtue of the SFO. Mr. Ruan was the sole director of Joint Loyal.
- (2) Mr. Ruan and Mr. Ma Pun Fai, the executive Directors, were granted share options under the share option scheme of the Company on 5 July 2019 at an exercise price of HK\$0.29 per Share with the validity period from 5 July 2019 to 4 July 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	8.33
Lizhong (Note 1)	Beneficial owner	57,602,000	–	57,602,000	8.33
Broad Win (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	8.33
Ms. Pan Xiaoying (Note 2)	Interest of spouse	57,602,000	–	57,602,000	8.33
Joint Loyal (Note 1)	Interest of a controlled corporation	57,602,000	–	57,602,000	8.33
Ms. Liu Sibin (Note 3)	Interest of spouse	57,602,000	5,760,000	63,362,000	9.17
New Express Investment Limited (Note 4)	Beneficial owner	36,412,000	–	36,412,000	5.27
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	36,412,000	–	36,412,000	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 were owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal were deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong were Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("Ms. Pan") was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the Shares which Mr. Lin was deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") was the spouse of Mr. Ruan. Therefore, Ms. Liu was deemed, or taken to be, interested in the Shares which Mr. Ruan was deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment is deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors during the six months ended 30 June 2021.

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 2011. A new share option scheme has been 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 30 June 2021, there are 115,200,000 outstanding share options under the Old 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 2021	Granted during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2021	Grantees	Validity Period
5 July 2019	HK\$0.29	5,760,000	–	–	–	5,760,000	Mr. Ruan Deqing, the executive Director	5 July 2019 till 4 July 2021
5 July 2019	HK\$0.29	5,760,000	–	–	–	5,760,000	Mr. Ma Pun Fai, the executive Director	5 July 2019 till 4 July 2021
5 July 2019	HK\$0.29	46,080,000	–	–	–	46,080,000	Consultants	5 July 2019 till 4 July 2021
11 December 2020	HK\$0.078	57,600,000	–	–	–	57,600,000	Employees	11 December 2020 till 10 December 2022
		115,200,000	–	–	–	115,200,000		

During the six months ended 30 June 2021, no share option was granted, exercised, lapsed or cancelled under the Old Share Option Scheme or the New Share Option Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review the financial statements, financial reports and accounts of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external auditors; to assess the performance of internal financial and audit personnel; to review the risk management and the internal control systems of the Company; and to perform the corporate governance functions under Paragraph D.3.1 of the CG Code. As at 30 June 2021, the Audit Committee comprises Ms. Tay Sheve Li, Mr. Yau Kit Yu and Ms. Lam Man Chi, all being independent non-executive directors. Ms. Tay Sheve Li, who possess appropriate professional qualifications, accounting and related financial management expertise, serves as the Chairperson of the Audit Committee.

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2021. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 10 August 2021

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Peng Lichun and Mr. Ma Pun Fai; and the independent non-executive Directors are Ms. Tay Sheve Li, Ms. Lam Man Chi and Mr. Yau Kit Yu.