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PROPOSED CAPITAL REORGANISATION AND PROPOSED CHANGE IN BOARD LOT SIZE

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Share Sub-division, details of which are as follows:

(1) Share Consolidation

Every four (4) issued and unissued Existing Shares of par value of US\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value of US\$0.04 each. The Share Consolidation is not conditional on the Capital Reduction and the Share Sub-division.

(2) Capital Reduction

The Capital Reduction will be implemented after the Share Consolidation has become effective, pursuant to which the par value of each of the then issued Consolidated Shares will be reduced 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 then issued Consolidated Shares. In addition, any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be cancelled.

(3) Share Sub-division

Immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of US\$0.04 each will be sub-divided into forty (40) New Shares of par value of US\$0.001 each.

PROPOSED CHANGE IN BOARD LOT SIZE

The Board proposes to change the board lot size for trading in Shares on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, details of the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders on or before Friday, 5 August 2022.

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED CAPITAL REORGANISATION

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Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is US\$40,000,000 divided into 4,000,000,000 Existing Shares of par value of US\$0.01 each, of which 691,200,000 Existing Shares have been issued and fully paid or credited as fully paid. Assuming there will be no change in the issued share capital of the Company from the date of this announcement until the completion of Share Consolidation, the authorised share capital of the Company will be US\$40,000,000 divided into 1,000,000,000 Consolidated Shares of par value of US\$0.04 each, of which 172,800,000 Consolidated Shares will be in issue and the aggregate par value of the issued share capital of the Company will be US\$6,912,000 upon the Share Consolidation becoming effective. Assuming there will be no change in the issued share capital of the Company from the date of this announcement until completion of the Capital Reorganisation, the authorised share capital of the Company will be US\$40,000,000 divided into 40,000,000,000 New Shares of par value of US\$0.001 each, of which 172,800,000 New Shares will be in issue and the aggregate par value of the issued share capital of the Company will be US\$172,800 upon the Capital Reorganisation becoming effective.

Based on the 691,200,000 Existing Shares in issue as at the date of this announcement, a credit of US\$6,220,800 will arise as a result of the Capital Reduction. It is proposed that the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective. Any excess of such credits will be transferred to the distributable reserve account of the Company which may be utilised by the Board in any manner as the Board may deem fit as may be permitted under the applicable laws and the memorandum and articles of association of the Company.

Shareholders and potential investors of the Company should note that the credits arising in the books from the Capital Reorganisation will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

Assuming no further Existing Shares will be issued or repurchased from the date of this announcement up to the effective date of the Capital Reorganisation, the effect of the Capital Reorganisation and the share capital structure of the Company is summarised below:

	As at the date of this announcement	Upon the Share Consolidation becoming effective	Upon the Capital Reorganisation becoming effective
Par value	US\$0.01 per Existing Share	US\$0.04 per Consolidated Share	US\$0.001 per New Share
Authorised share capital	US\$40,000,000	US\$40,000,000	US\$40,000,000
Number of authorised shares	4,000,000,000 Existing Shares	1,000,000,000 Consolidated Shares	40,000,000,000 New Shares
Number of issued shares	691,200,000 Existing Shares	172,800,000 Consolidated Shares	172,800,000 New Shares
Issued share capital	US\$6,912,000	US\$6,912,000	US\$172,800

All New Shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Other than the relevant expenses, including but not limited to professional fees and printing charges to be incurred, the implementation of the Capital Reorganisation will have no material effect on the consolidated net asset value of the Group, nor will they alter the underlying assets, business, operations, management or financial position of the Company or the proportionate interests of the Shareholders. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

Conditions of the Capital Reorganisation

The Share Consolidation is conditional upon:

- (1) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (2) the GEM Listing Committee of Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (3) the compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the GEM Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfilment of the above conditions. The Share Consolidation is not conditional on the Capital Reduction and Share Sub-division.

The Capital Reduction and Share Sub-division are conditional upon:

- (1) the Share Consolidation becoming effective;
- (2) the passing of a special resolution by the Shareholders to approve the Capital Reduction and Share Sub-division at the EGM;
- (3) the GEM Listing Committee of Stock Exchange granting the listing of, and the permission to deal in, the New Shares arising from the Capital Reduction and Share Sub-division;
- (4) the Court granting an order confirming the Capital Reduction;
- (5) compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- (6) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and

- (7) the compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the GEM Listing Rules to effect the Capital Reduction and Share Sub-division.

The Capital Reduction and Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisors to the Company (as to the Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and a further announcement will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

Listing and dealings

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares and the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares and the New Shares on the Stock Exchange, the Consolidated Shares and the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares and the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares and the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes to change the board lot size for trading in Shares on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.11 per Existing Share (equivalent to the theoretical closing price of HK\$0.44 per Consolidated Share) as at the date of this announcement, the value of each existing board lot of the Existing Shares is HK\$2,200 and the theoretical market value of each new board lot of the Consolidated Shares, assuming the Share Consolidated had become effective, would be HK\$4,400.

REASONS FOR THE CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

Pursuant to Rule 17.76 of GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has stated that (i) market price of the Shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

Based on the closing price of HK\$0.11 per Existing Share as at the date of this announcement, the Capital Reorganisation and Change in Board Lot Size would enable the Company to comply with the trading requirements under the GEM Listing Rules.

The Share Consolidation will reduce the total number of Existing Shares currently in issue and is expected to bring about a corresponding upward adjustment to the trading price per Share on the Stock Exchange, and hence the transaction costs as a proportion of the market value of each board lot will be lower.

Further, under the Companies Act, the Company is restricted in its ability to issue Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility to accommodate the issue of new Shares in the future when necessary.

The Capital Reorganisation and the Change in Board Lot Size would help maintain the transaction amount for each board lot at a reasonable level and attract more investors and extend the base of the Shareholders, provide flexibility for equity fund raising of the Company in the future and eliminate a substantial amount of the Company’s accumulated losses, hence, allowing greater flexibility for the Company to pay dividends in the future. Accordingly, the Directors are of the view that the implementation of the Capital Reorganisation and the Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention or plan to carry out other corporate actions in the next 12 months may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have intention or any concrete plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Friday, 2 September 2022 until Wednesday, 12 October 2022 (both days inclusive), submit share certificates for the Existing Shares (in red colour) to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at the expense of the Company, for new share certificates of the Consolidated Shares (in green colour) (on the basis of four (4) Existing Shares for one (1) Consolidated Share). Thereafter, certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After 4:30 p.m. on Wednesday, 12 October 2022, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division is not ascertainable at present. Should the Capital Reduction and the Share Sub-division becoming effective, Shareholders may submit share certificates for the Consolidated Shares (in green colour) to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong to exchange for new share certificates for the New Shares (in yellow colour) at the expense of the Company within the relevant free exchange period from the effective date of the Capital Reduction and the Share Sub-division. Details of such free exchange of share certificates will be announced as soon as practicable.

Arrangement on odd lots trading

In order to facilitate the trading of odd lots of Consolidated Shares, the Company will appoint an agent to provide matching services on a best efforts basis regarding the sale and purchase of odd lots of the Consolidated Shares from Monday, 19 September 2022 to Monday, 10 October 2022 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the circular to be despatched to the Shareholders.

Adjustments to the Outstanding Share Options

As at the date of this announcement, there were outstanding share options granted under the Share Option Schemes to subscribe for 126,720,000 Existing Shares. The Capital Reorganisation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon exercise of the outstanding share options pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into any Shares, as at the date of this announcement.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation is set out below:

Event	Time and date
Expected date of despatch of circular with notice of the EGM and form of proxy	On or before Friday, 5 August 2022
Latest time and date for lodging transfer document in order to qualify for attending and voting at the EGM	4:30 p.m. on Thursday, 25 August 2022
Book closure period to determine entitlements to attend the EGM (both days inclusive)	Friday, 26 August 2022 to Wednesday, 31 August 2022
Latest time and date for lodging forms of proxy for the EGM	11:00 a.m. on Monday, 29 August 2022
Expected time and date of the EGM	11:00 a.m. on Wednesday, 31 August 2022
Publication of announcement of poll results of the EGM	Wednesday, 31 August 2022

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:

Event	Time and date
Expected effective date of the Share Consolidation.	Friday, 2 September 2022
First day for free exchange of existing share certificates for share certificates of the Consolidated Shares	Friday, 2 September 2022
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Friday, 2 September 2022
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 2 September 2022
Temporary counter for trading in the Consolidated Shares in temporary board lots of 5,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 2 September 2022
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens.	9:00 a.m. on Monday, 19 September 2022
Parallel trading in the Existing Shares and Consolidated Shares (in the form of new share certificates in board lots of 10,000 Consolidated Shares and existing share certificates in board lots of 5,000 Consolidated Shares) commences	9:00 a.m. on Monday, 19 September 2022
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Monday, 19 September 2022
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Monday, 10 October 2022

Event	Time and date
Temporary counter for trading in the Consolidated Shares in temporary board lots of 5,000 Consolidated Shares (in the form of existing share certificates) closes.	4:10 p.m. on Monday, 10 October 2022
Parallel trading in the Existing Shares and Consolidated Shares (in the form of new share certificates in board lots of 10,000 Consolidated Shares and existing share certificates in board lots of 5,000 Consolidated Shares) ends	4:10 p.m. on Monday, 10 October 2022
Last day for free exchange of existing share certificates for the share certificates of the Consolidated Shares.	4:30 p.m. on Wednesday, 12 October 2022

The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction and Share Sub-division:

Expected effective date of the Capital Reduction and the Share Sub-division	Friday, 16 December 2022 (Cayman Islands time)
Commencement of dealings in the New Shares.	9:00 a.m. on Monday, 19 December 2022

All times and dates specified in this announcement refer to Hong Kong times and dates, unless otherwise stated. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. A circular containing, among other things, details of the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders on or before Friday, 5 August 2022.

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them as below:

“Board”	the board of Directors
“Business Day(s)”	a day (other than public holiday, a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“Capital Reduction”	the proposed reduction of the par value of each of the then issued Consolidated Shares from US\$0.04 to US\$0.001 by cancelling the paid-up capital to the extent of US\$0.039 on each of the then issued Consolidated Shares and the cancellation of any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Change in Board Lot Size”	the proposed change in board lot size for trading in the Shares on the Stock Exchange from 20,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	China 33 Media Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“Consolidated Share(s)”	the ordinary share(s) of par value of US\$0.04 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division becoming effective
“Court”	the Grand Court of the Cayman Islands

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approve the Capital Reorganisation
“Existing Share(s)”	the ordinary share(s) of par value of US\$0.01 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	the GEM listing sub-committee of the board of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries, from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	the ordinary share(s) of par value of US\$0.001 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the New Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every four (4) issued and unissued Existing Shares of par value of US\$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value of US\$0.04 each
“Share Option Schemes”	the share option scheme of the Company adopted on 30 June 2021 and the share option scheme adopted by the Company on 17 December 2010 and expired on 16 December 2020

“Share Sub-division”	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
“Shareholder(s)”	the holder(s) of the Existing Shares, the Consolidated Shares or the New Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 25 July 2022

As at the date of this announcement, the executive Directors are Mr. Ruan Deqing (Chairman) 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.

This announcement, for which the Directors 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting and the Company’s website at www.china33media.com.