



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 2022



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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 2022

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 2022, together with the comparative unaudited figures for the corresponding periods in 2021, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
REVENUE	4	46,827	61,636	20,436	33,065
Cost of sales		(38,700)	(54,142)	(16,440)	(30,610)
Gross profit		8,127	7,494	3,996	2,455
Other income	5	1,153	964	564	557
Other gains and losses, net	5	(5,288)	402	(1,047)	(2,255)
Selling and distribution expenses		(2,475)	(3,374)	(861)	(886)
Administrative expenses		(15,317)	(9,481)	(10,819)	(2,898)
Finance cost	6	(623)	(599)	(321)	(295)
LOSS BEFORE TAXATION		(14,423)	(4,594)	(8,488)	(3,322)
Taxation	7	–	–	–	–
LOSS FOR THE PERIOD	8	(14,423)	(4,594)	(8,488)	(3,322)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Note	Six months ended 30 June		Three months ended 30 June	
		2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (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		7,640	(4,013)	8,459	(5,613)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		(6,783)	(8,607)	(29)	(8,935)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:					
Owners of the Company		(14,417)	(4,587)	(8,485)	(3,320)
Non-controlling interests		(6)	(7)	(3)	(2)
		(14,423)	(4,594)	(8,488)	(3,322)
TOTAL COMPREHENSIVE EXPENSE ATTRIBUTABLE TO:					
Owners of the Company		(6,777)	(8,600)	(26)	(8,933)
Non-controlling interests		(6)	(7)	(3)	(2)
		(6,783)	(8,607)	(29)	(8,935)
		RMB cents	RMB cents	RMB cents	RMB cents
BASIC AND DILUTED LOSS PER SHARE	10	(2.09)	(0.66)	(1.23)	(0.48)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Non-current assets			
Property, plant and equipment		5,291	5,957
Right-of-use assets		512	856
Prepayments and deposits		5,720	2,783
Prepayment for film and entertainment business	11	17,059	19,561
		28,582	29,157
Current assets			
Film rights	12	7,463	15,893
Trade receivables	13	49,739	45,279
Prepayments, deposits and other receivables		8,412	8,504
Prepayment for film and entertainment business	11	40,324	35,047
Financial assets at fair value through profit or loss		14,783	19,334
Pledged bank deposits		–	2,760
Restricted cash		195,577	175,122
Cash and cash equivalents		13,500	12,829
		329,798	314,768
Current liabilities			
Trade payables	14	15,287	14,750
Other payables and accruals	14	206,452	188,799
Contract liabilities		995	1,738
Lease liabilities		575	814
Bond payable		1,228	1,174
Tax payable		1,939	1,362
		226,476	208,637
Net current assets		103,322	106,131
Total assets less current liabilities		131,904	135,288

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Non-current liabilities			
Bond payable		10,127	9,079
Lease liabilities		–	139
		10,127	9,218
Net assets			
Capital and reserves			
Share capital	15	44,567	44,567
Reserves		78,628	82,915
Equity attributable to owners of the Company		123,195	127,482
Non-controlling interests		(1,418)	(1,412)
Total equity		121,777	126,070

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Share option reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2022 (audited)	44,567	626,463	26,239	13,174	19	10,732	589	(594,301)	127,482	(1,412)	126,070
Loss for the period	-	-	-	-	-	-	-	(14,417)	(14,417)	(6)	(14,423)
Exchange differences on translation of foreign operations	-	-	-	-	-	7,640	-	-	7,640	-	7,640
Total comprehensive expense for the period	-	-	-	-	-	7,640	-	(14,417)	(6,777)	(6)	(6,783)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	2,490	-	2,490	-	2,490
At 30 June 2022 (unaudited)	44,567	626,463	26,239	13,174	19	18,372	3,079	(608,718)	123,195	(1,418)	121,777

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Net cash (used in)/from operating activities	13,533	(2,649)
Net cash (used in)/from investing activities	(17,530)	1,988
Net cash used in financing activities	(1,063)	(3)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,060)	(664)
Cash and cash equivalents at beginning of period	12,829	19,064
Effect of foreign exchange rate changes, net	5,731	(148)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,500	18,252

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 2022, the Group was principally engaged in the provision of outdoor and digital advertising services, film and entertainment investment and prepaid card business.

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 2021.

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 2022. 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	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follows:				
Outdoor and digital advertising income	26,299	42,372	10,000	22,739
Film and entrainment investment income	9,516	9,104	4,635	5,344
Prepaid card income	11,012	10,160	5,801	4,982
Total	46,827	61,636	20,436	33,065

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

- 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)

	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 2022				
Segment revenue – external customers	26,299	9,516	11,012	46,827
Timing of revenue recognition				
At a point in time	–	9,516	11,012	20,528
Over time	26,299	–	–	26,299
Segment profit/(loss)	489	(3,103)	142	(2,472)
<i>Reconciliation:</i>				
Unallocated other income, other gains and losses, net				(4,135)
Finance cost				(623)
Corporate and other unallocated expenses				(7,193)
Loss before taxation				(14,423)

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>					
Unallocated other income, other gains and losses, net					1,366
Finance cost					(599)
Corporate and other unallocated expenses					(5,842)
Loss before taxation					(4,594)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June		Three months ended 30 June	
	2022	2021	2022	2021
	(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	(5,288)	(996)	(1,047)	(2,255)
Gain on disposal of financial assets at fair value through profit or loss	–	1,398	–	–
Total	(5,288)	402	(1,047)	(2,255)

6. FINANCE COST

	Six months ended 30 June		Three months ended 30 June	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense on lease liabilities	16	3	7	–
Interest expense on corporate bond	607	596	314	295
	623	599	321	295

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 2022 (six months ended 30 June 2021: 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%.

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	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Depreciation	568	693	237	350
Depreciation on right of use assets	387	341	373	172
Employee benefit expense (including directors' remuneration):				
Salaries, bonuses and other benefits	7,106	5,272	4,845	2,935
Pension scheme contributions	321	328	169	193
Total employee benefit expenses	7,427	5,600	5,014	3,128

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(14,417)	(4,587)	(8,485)	(3,320)

	Number of shares			
	Six months ended 30 June		Three months ended 30 June	
	2022 '000	2021 '000	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	691,200	691,200	691,200	691,200

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 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Current	40,324	35,047
Non-current	17,059	19,561
	57,383	54,608

Amount represents prepayment for profit sharing rights in films and concerts. The amount for the relevant films, drama 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 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Cost		
At 1 January	15,893	70,916
Additions	–	–
Recognised as an expense included in cost of sales	(8,896)	(15,145)
Provision of film rights	–	(37,887)
Effect of foreign currency exchange difference	466	(1,991)
As at 30 June/31 December	7,463	15,893

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE RECEIVABLES

	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Trade receivables	89,407	80,295
Less: Allowance for expected credit losses	(39,668)	(35,016)
	49,739	45,279

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 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Trade receivables:		
Within 90 days	7,116	13,987
91-180 days	5,118	–
181-365 days	13,391	8,007
Over 1 year	24,114	23,285
	49,739	45,279

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 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Within 90 days	11,934	11,286
91-180 days	–	–
Over 181 days	3,353	3,464
	15,287	14,750

Other payables and accruals

	30 June 2022 (unaudited) RMB'000	31 December 2021 (audited) RMB'000
Other payables (Note)	167,698	153,825
Accrued salaries and staff welfare	167	195
Other accruals	37,169	33,371
Other tax payable	1,418	1,408
	206,452	188,799

Note: Other payables amounting RMB167,698,000 (31 December 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.

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 2021, 1 January 2022 and 30 June 2022	4,000,000,000	40,000	–
Issued and fully paid:			
Ordinary shares of US\$0.01 each as at 31 December 2021, 1 January 2022 and 30 June 2022	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	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
Short term employee benefit	720	556	357	281
Post employment benefit	15	9	7	5
	735	565	364	286

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 and prepaid card business. The Group's total revenue for the six months ended 30 June 2022 amounted to approximately RMB46,827,000, representing a decrease of approximately RMB14,809,000 or 24.0% as compared to approximately RMB61,636,000 for the corresponding period last year, mainly contributed by the decrease of revenue from outdoor and digital advertising business due to the fierce competition in the industry.

Overall gross profit increased by approximately RMB633,000 or 8.4% to approximately RMB8,127,000 for the six months ended 30 June 2022 from approximately RMB7,494,000 for the corresponding period last year. The gross profit margin for the current period increased to approximately 17.4% from approximately 12.2% in the corresponding period last year. The total comprehensive expense attributable to owners of the Company for the current period amounted to approximately RMB6,777,000, representing a decrease of approximately 21.2% as compared to approximately RMB8,600,000 for the corresponding period of last year. The decrease was mainly attributable to increase in administrative expenses offset by the exchange differences on translation of foreign operations.

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 RMB16,073,000 or 37.9% from approximately RMB42,372,000 for the corresponding period last year to approximately RMB26,299,000 for the six months ended 30 June 2022. The decrease was mainly due to the fierce competition in the industry which led to reduced number of customers.

Segment profit from outdoor and digital advertising for the six months ended 30 June 2022 amounted to approximately RMB489,000, representing an increase of approximately RMB15,000 or 3.2% as compared to approximately RMB474,000 for the corresponding period last 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 business slightly increased by approximately RMB412,000 or 4.5% from approximately RMB9,104,000 for the corresponding period last year to RMB9,516,000 for the six months ended 30 June 2022. 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 gradually recovering from the impact of the global outbreak of COVID-19, which led to the increased revenue generated for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment loss from film and entertainment business for the six months ended 30 June 2022 amounted to approximately RMB3,103,000, representing an increase of approximately RMB2,898,000 or 1,413.6% as compared to approximately RMB205,000 the corresponding period last year. The increase was mainly contributed by the provision for impairment of trade receivables and higher 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 RMB852,000 or 8.4% from approximately RMB10,160,000 for the corresponding period last year to approximately RMB11,012,000 for the six months ended 30 June 2022. It was mainly attributable to the increase in number of sales channels and clients which increased the transaction related fees. The larger card base also bring in additional income from card related services fees, for instance card management fee.

Segment profit from prepaid card business for the six months ended 30 June 2022 amounted to approximately RMB142,000, representing a decrease of approximately RMB107,000 or 43.0% as compared to approximately RMB249,000 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 decreased from approximately RMB54,142,000 for the corresponding period last year to approximately RMB38,700,000 for the six months ended 30 June 2022, representing a decrease of approximately RMB15,442,000 or 28.5%. The decrease was mainly contributed by the declined revenue and agency cost driven by the outdoor and digital advertising business.

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 RMB964,000 for the corresponding period last year to approximately RMB1,153,000 for the six months ended 30 June 2022, representing an increase of approximately RMB189,000 or 19.6%. The increase was mainly contributed by higher income received from managing prepaid card sales counter.

Other Gains and Losses, Net

Other gains and losses decreased by approximately RMB5,690,000 or 1,415.4% from a net gain of approximately RMB402,000 for the corresponding period last year to a net loss of RMB5,288,000 for the six months ended 30 June 2022. The decrease was mainly due to the fair value loss on financial assets at fair value through profit or loss recognised during the six months ended 30 June 2022.

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 RMB899,000 or 26.6% from approximately RMB3,374,000 for the corresponding period last year, to approximately RMB2,475,000 for the six months ended 30 June 2022. The decrease was mainly contributed by the cost control measures implemented.

Administrative Expenses

Administrative expenses mainly consists of salaries, depreciation, rental expense and legal and professional fees. Administrative expenses increased from approximately RMB9,481,000 for the corresponding period last year to approximately RMB15,317,000 for the six months ended 30 June 2022, representing an increase of approximately RMB5,836,000 or 61.6%, which was mainly due to the share-based payment expenses and higher corporate expenses incurred.

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB209,076,000. As at 30 June 2022, the Group had a bond payable in the principal amount of HK\$12 million (31 December 2021: 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 2022, the current ratio of the Group was approximately 1.46 (31 December 2021: 1.51) 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 0.18 (31 December 2021: 0.17). The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 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 30 June 2022, the Group has approximately RMB195,577,000 (31 December 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 11.7% 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 2022, the Group did not have any significant contingent liabilities (as at 31 December 2021: nil).

CAPITAL COMMITMENTS

As at 30 June 2022, the Group did not have any significant capital commitment (as at 31 December 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 six months ended 30 June 2022, the Group did not hedge any exposure in foreign currency risk.

HUMAN RESOURCES

As at 30 June 2022, the Group had a total of 32 employees (30 June 2021: 45 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 2022, the total staff costs (including Directors' emoluments) amounted to approximately RMB7,427,000 (six months ended 30 June 2021: RMB5,600,000).

PROSPECTS

Looking forward, the Group will continue to focus on the business development of outdoor and digital advertising business and prepaid card business. With the Omicron variant outbreak in Hong Kong and China, the business environment is surrounded by uncertainties and the financial performance of the Group may continue to be affected in the year of 2022. The Group is actively looking for business opportunities in order to achieve sustainable growth and minimise the negative impact of the COVID-19. The Group will closely monitor 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 businesses 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 as contained in Part 2 of Appendix 15 to the GEM Listing Rules (the "CG Code"). In the opinion of the Directors, the Company has complied with the CG Code during the six months ended 30 June 2022, 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. Mr. Yau Kit Yu, being the independent non-executive Directors, are not appointed for a specific term but are subject to retirement by rotation and re-election under the articles of association of the Company. The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2022, 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 2022, 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 2022. The Group has no specific plan for material investments or capital assets as at 30 June 2022.

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 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	57,602,000 (Note 1)	8.33

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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 June 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 30 June 2022, 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	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	57,602,000	8.33
Lizhong (Note 1)	Beneficial owner	57,602,000	8.33
Broad Win (Note 1)	Interest of a controlled corporation	57,602,000	8.33
Ms. Pan Xiaoying (Note 2)	Interest of spouse	57,602,000	8.33
Joint Loyal (Note 1)	Interest of a controlled corporation	57,602,000	8.33
Ms. Liu Sibin (Note 3)	Interest of spouse	57,602,000	8.33
New Express Investment Limited (Note 4)	Beneficial owner	36,412,000	5.27
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	36,412,000	5.27

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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.

Save as disclosed above, as at 30 June 2022, 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 2022.

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 2022, there are 57,600,000 and 69,120,000 outstanding share options under the Old Share Option Scheme and New Share Option Scheme respectively. 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 period	Cancelled/ lapsed/exercised during the period	Number of share options outstanding as at 30 June 2022	Grantees	Validity Period
11 December 2020	HK\$0.078	57,600,000	-	-	57,600,000	Employees	11 December 2020 till 10 December 2022
11 April 2022	HK\$0.112	-	69,120,000	-	69,120,000	Employees	11 April 2022 to 10 April 2024 (Note 2)
		57,600,000	69,120,000	-	126,720,000		

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 six months ended 30 June 2022.

Notes:

1. All share options granted were vested immediately.
2. The closing price of the Shares immediately before the date on which the options were granted was HK\$0.110. There was no market vesting condition or non-market performance condition associated with the options granted. The fair values of the options granted on 11 April 2022 determined using the Binomial Model was approximately RMB2,490,000. The inputs into the model were as follows:

Grant date share price	HK\$0.112
Exercise price	HK\$0.112
Expected volatility	98.39%
Expected life	2 years
Risk-free rate	2.112%
Expected dividend yield	0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. The assumptions used in computing the fair value of the share options are based on management's best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

EVENTS AFTER THE REPORTING PERIOD

On 25 July 2022, the Company proposed to implement the capital reorganisation which will involve the share consolidation, the capital reduction and the share sub-division and change in board lot size. Please refer to the announcement of the Company dated 5 August 2022 and the circular of the Company dated 5 August 2022 for details.

CHANGES IN THE INFORMATION OF THE DIRECTORS SINCE THE DATE OF THE ANNUAL REPORT

Mr. Peng Lichun ("Mr. Peng") has tendered his resignation as executive Director with effect from 14 June 2022 due to his desire to devote more time to his personal endeavours. Upon the resignation of Mr. Peng, he has ceased to be a member of the nomination committee of the Company. Mr. Ma Pun Fai, an executive Director, has been appointed as a member of the nomination committee of the Company with effect from 14 June 2022.

Saved as disclosed above, there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 17.50B of the GEM Listing Rules since the date of publication of the 2021 Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (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. As at 30 June 2022, 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 consolidated results of the Group and the report for the six months ended 30 June 2022. The Audit Committee was of the opinion that the preparation of such results and report 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, 12 August 2022

As at the date of this report, 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.