



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



2011

Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2011

THIRD QUARTERLY RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the nine and three months ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in 2010, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2011 Unaudited RMB'000	2010 Unaudited RMB'000	2011 Unaudited RMB'000	2010 Unaudited RMB'000
REVENUE	5	151,617	141,523	45,033	46,569
Cost of sales		(46,441)	(38,834)	(18,136)	(9,763)
Gross profit		105,176	102,689	26,897	36,806
Other income and gains, net		978	617	187	273
Selling and distribution expenses		(31,549)	(30,357)	(14,409)	(14,069)
Administrative expenses		(13,359)	(12,582)	(5,065)	(3,455)
Other operating expenses, net		(59)	(31)	(4)	82
Share of profits and losses of:					
A jointly-controlled entity		(413)	41	(94)	41
An associate		163	(46)	32	(51)
PROFIT BEFORE TAX		60,937	60,331	7,544	19,627
Income tax expense	6	(15,833)	(18,710)	(2,479)	(8,078)
PROFIT FOR THE PERIOD		45,104	41,621	5,065	11,549
Profit for the period attributable to:					
Owners of the Company		45,090	41,229	4,955	10,750
Non-controlling interests		14	392	110	799
		45,104	41,621	5,065	11,549
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic		RMB7.85 cents	RMB9.16 cents	RMB0.86 cents	RMB2.39 cents
Diluted		RMB7.85 cents	RMB9.16 cents	RMB0.86 cents	RMB2.39 cents
PROFIT FOR THE PERIOD		45,104	41,621	5,065	11,549
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:					
Exchange differences on translation of foreign operations		2,391	1,730	922	1,728
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		47,495	43,351	5,987	13,277
Attributable to:					
Owners of the Company		47,481	43,743	5,877	13,262
Non-controlling interests		14	(392)	110	15
		47,495	43,351	5,987	13,277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to owners of the Company								
	Issued capital	Share premium account	Capital reserve	Statutory reserve	Exchange reserve	Retained profits/ (accumulated loss)	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	-	-	25,557	1,616	271	(1,683)	25,761	2,771	28,532
Profit/(loss) for the period	-	-	-	-	-	41,229	41,229	392	41,621
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	1,730	-	1,730	-	1,730
Total comprehensive income/(loss) for the period	-	-	-	-	1,730	41,229	42,959	392	43,351
Deemed contribution from a shareholder	-	-	481	-	-	-	481	-	481
Equity-settled share option transactions	-	-	87	-	-	-	87	-	87
At 30 September 2010	-	-	26,125	1,616	2,001	39,546	69,288	3,163	72,451
At 1 January 2011	2,967	9,469	26,153	10,030	926	60,572	110,117	2,972	113,089
Profit/(loss) for the period	-	-	-	-	-	45,090	45,090	14	45,104
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	2,391	-	2,391	-	2,391
Total comprehensive income/(loss) for the period	-	-	-	-	2,391	45,090	47,481	14	47,495
Issue of shares under public placing	989	225,803	-	-	-	-	226,792	-	226,792
Issue of shares on exercise of over-allotment options	20	4,652	-	-	-	-	4,672	-	4,672
Expenses incurred in connection with the issue of shares	-	(14,820)	-	-	-	-	(14,820)	-	(14,820)
Equity-settled share option transactions	-	-	65	-	-	-	65	-	65
At 30 September 2011	3,976	225,104	26,218	10,030	3,317	105,662	374,307	2,986	377,293

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 17 December 2010. Further details of the Reorganisation are set out in the Company's listing prospectus dated 22 February 2011. The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

During the period under review, the Group was principally engaged in the operation and provision of advertising services of printed media and audio programmes for railway networks and advertising spaces on air traffic control towers at airports and train stations in Mainland China.

2. BASIS OF PRESENTATION AND PREPARATION

(a) Since the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting. The financial statements have been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group.

The condensed consolidated statements of comprehensive income and condensed consolidated statement of changes in equity of the Group for the nine months ended 30 September 2011 include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the nine months ended 30 September 2011, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period.

In the opinion of the directors (the "Directors") of the Company, the condensed consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

(b) The condensed consolidated financial statements for the nine months ended 30 September 2011 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted a number of new and revised IFRSs, amendments to IASs and Interpretations (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2011. The adoption 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 adopted 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.

5. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax.

The following table sets out a breakdown of revenue:

	Unaudited		Unaudited	
	Nine months ended		Three months ended	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Printed media advertising	121,786	116,543	37,243	40,578
Outdoor advertising	13,823	7,176	6,378	2,542
Audio advertising	16,008	17,804	1,412	3,449
	151,617	141,523	45,033	46,569

	Printed media advertising	Outdoor advertising	Audio advertising	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2011				
Segment revenue:				
Sales to external customers	121,786	13,823	16,008	151,617
Segment results	85,590	4,271	15,315	105,176
<i>Reconciliation:</i>				
Interest income				858
Other unallocated income and gains, net				120
Share of profits and losses of:				
a jointly-controlled entity				(413)
an associate				163
Corporate and other unallocated expenses				(44,967)
Profit before tax				60,937
Income tax expense				(15,833)
Profit for the period				45,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
Nine months ended 30 September 2010				
Segment revenue:				
Sales to external customers	116,543	7,176	17,804	141,523
Segment results				
	84,045	1,345	17,299	102,689
<i>Reconciliation:</i>				
Interest income				600
Other unallocated income and gains, net				17
Share of profits and losses of:				
a jointly-controlled entity				41
an associate				(46)
Corporate and other unallocated expenses				(42,970)
Profit before tax				60,331
Income tax expense				(18,710)
Profit for the period				41,621

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (nine months ended 30 September 2010: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate applicable to all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB45,090,000 (nine months ended 30 September 2010: RMB41,229,000), and the weighted average number of 574,328,000 ordinary share in issue (nine months ended 30 September 2010: 450,000,000). In determining the weighted average number of ordinary shares in issue, a total of 450,000,000 ordinary shares of the Company issued pursuant to the Reorganisation and a capitalisation issue were deemed to have been issued since 1 January 2010.

The Group had no potential dilutive ordinary shares in issue during the nine months ended 30 September 2011 and 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:			
Upon incorporation (50,000,000 shares of US\$0.001 each)	(a)	50,000,000	330
Increase in authorised share capital on 17 December 2010	(b)	39,950,000,000	263,342
		40,000,000,000	263,672
Issued:			
Upon incorporation (1 share of US\$0.001 allotted and issued at nil paid)	(c)	1	–
On acquisition of Hongkong Ao Shen Investment Co., Ltd. (“Hong Kong Ao Shen”) on 17 December 2010			
– allotment and issuance of 48,999,999 shares credited as fully paid	(d)	48,999,999	323
– 1 nil paid share credited as fully paid	(d)	–	–
Capitalisation of an amount due to Lizhong Limited (“Lizhong”) of RMB12,436,000	(e)	1,000,000	7
Capitalisation issue credited as fully paid on the share premium account of the Company	(f)	400,000,000	2,637
Issued capital as at 31 December 2010		450,000,000	2,967
Issuance of new shares on 25 February 2011	(g)	150,000,000	989
Issuance of new shares on 30 March 2011	(h)	3,090,000	20
At 30 September 2011		603,090,000	3,976

Notes:

- (a) On 5 May 2010, the authorised share capital was US\$50,000 divided into 50,000,000 shares having a par value of US\$0.001 each.
- (b) Pursuant to a resolution passed on 17 December 2010, the authorised share capital of the Company was increased from US\$50,000 to US\$40,000,000 by the creation of 39,950,000,000 additional new shares of US\$0.001 each.
- (c) On 5 May 2010, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Lizhong on the same date.
- (d) On 17 December 2010, the Company acquired from Lizhong an aggregate of 100 shares of HK\$1 each in the share capital of Hong Kong Ao Shen, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 48,999,999 shares to Lizhong and (ii) credited as fully paid at par the one nil paid share then held by Lizhong (note (c)).
- (e) On 17 December 2010, the Company issued and allotted 1,000,000 shares to Lizhong, credited as fully paid, in full satisfaction of the amount of part of the shareholder’s loan for the principal amount of approximately RMB12,436,000 owed by Hong Kong Ao Shen to Lizhong.
- (f) Pursuant to a resolution passed on 17 December 2010, 400,000,000 shares were allotted and issued at a par value of US\$0.001 each in proportion to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 December 2010.
- (g) In connection with the Company’s initial public offering, 150,000,000 shares of US\$0.001 each were issued at a price of HK\$1.8 per share for a total cash consideration, before expenses, of approximately HK\$270,000,000 on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.
- (h) On 30 March 2011, the Company issued and allotted 3,090,000 shares of US\$0.001 each to Lizhong pursuant to the partial exercise of the Over-allotment Option (as defined in the prospectus issued by the Company dated 22 February 2011) by Oriental Patron Securities Limited at the price of HK\$1.80 per share. For details, please refer to the announcement issued by the Company dated 30 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's total revenue for the nine months ended 30 September 2011 was RMB151,617,000, representing an increase of approximately 7.1% as compared to RMB141,523,000 for the nine months ended 30 September 2010. Overall gross profit increased by RMB2,487,000 or 2.4% to RMB105,176,000 for the nine months ended 30 September 2011 from RMB102,689,000 for the corresponding period of last year. The gross profit margin for the current period decreased to 69.4% from 72.6% in the corresponding period of last year. The total comprehensive income for the period attributable to the owners of the Company amounted to RMB47,481,000, representing an increase of approximately 8.5% as compared to RMB43,743,000 of the corresponding period of last year.

Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue for the period under review which contributed approximately 80.3% of the Group's total revenue for the period under review. It is expected to continue to be our principal source of revenue in the future. Revenue from printed media advertising increased by approximately 4.5% from RMB116,543,000 for the nine months ended 30 September 2010 to RMB121,786,000 for the nine months ended 30 September 2011.

Gross profit for the nine months ended 30 September 2011 amounted to RMB85,590,000, representing an increase of approximately 1.8% as compared with a gross profit of RMB84,045,000 for the nine months ended 30 September 2010. Gross profit margin decreased from approximately 72.1% for the nine months ended 30 September 2010 to approximately 70.3% for the nine months ended 30 September 2011 mainly due to a decrease in demand for advertising for property resulted from government's control policy on property market in the PRC. Moreover, high cost incurred for a newly published monthly supplement called Passengers 1318 for distribution on the Beijing-Shanghai high-speed railway has caused the gross profit margin to drop in the period under review.

Audio Advertising

Revenue from audio advertising represented the amount generated from the sales of advertising timeslots which was being part of the audio advertising produced by the Group for broadcasting during train transmission. It is mainly driven by duration of the audio advertisements, the price per standard timeslot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio advertising decreased by RMB1,796,000 or approximately 10.1% to RMB16,008,000 for the nine months ended 30 September 2011 from RMB17,804,000 for the corresponding period in year 2010. The decrease was mainly resulted from the impact of the train accident happened on 23 July 2011 that caused a decrease in demand for our audio advertising services in the third quarter of 2011.

Gross profit amounted to RMB15,315,000 for the nine months ended 30 September 2011, representing a decrease of approximately 11.5% as compared to the corresponding period in last year, which was RMB17,299,000. Gross profit margin decreased from approximately 97.2% for the nine months ended 30 September 2010 to approximately 95.7% in the period under review. As majority of the costs of audio programmes such as amortisation expenses on intangible assets and management fee are relatively fixed cost in nature, the gross profit margin generally moved in line with the decrease in revenue from audio programmes.

Outdoor Advertising

Revenue from outdoor advertising is mainly driven by the number of air traffic control towers and the price per advertising space. It increased from RMB7,176,000 for the nine months ended 30 September 2010 to RMB13,823,000 for the nine months ended 30 September 2011. Gross profit increased to RMB4,271,000 from RMB1,345,000, representing an increase of approximately 217.5% as compared with the nine months ended 30 September 2010. The increase was mainly due to the fact that the Group successfully secured a large outdoor advertising contract with an existing customer for 16 air traffic control towers in December 2010 with higher contract price. The gross profit margin increased to approximately 30.9% for the nine months ended 30 September 2011 as compared to 18.7% for the corresponding period in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

In view of the rapid development of the high-speed railway network in China, the Group is optimistic on the long-term prospect of its existing businesses. The management of the Group is now optimising the Group's resources in order to capture more business opportunities by focusing on the advertising business at train stations and on the trains, advertising agency business in on-board LED media and expanding the Group's existing businesses by extending sales network.

The Group has entered into contracts with certain state-owned railways media operators pursuant to which the Group is granted an exclusive advertising right to install and operate the advertising panels at seven selected train stations operated by three railway bureaus. The Group has commenced installation of billboards and facilities in several stations and has signed several contracts with customers for placing of advertisements on these billboards.

Furthermore, the Group is now expanding the existing businesses by extending sales network through the establishment of sales offices at different PRC cities and strengthening the Group's sales and advertising teams at different locations. The Group will also increase the number of route-specific supplements of our printed media in order to strengthen the customer base and accelerate our business growth. To further broaden our coverage and penetration of audio advertising in the market, the Group is discussing with various local railway bureaus for additional broadcasting time for advertisements on different routes of regular trains in China. To expand our outdoor advertising, the Group is securing more advertising spaces on the air traffic control towers at the civil airports that are not currently operated by the Group.

In addition to two other distinguished publications, namely Fellow Traveller and Resource, a new monthly supplement called Passengers 1318 for distribution on the Beijing-Shanghai high-speed railway has commenced service as of 30 June 2011. Passengers 1318 is positioned as a prestigious lifestyle magazine targets high-end business travelers on the Beijing-Shanghai high-speed railway. The Group now prints about 100,000 copies of its periodicals per month for the passengers of the Beijing-Shanghai route. The management believes that this latest development will help the Group further strengthen its printed media business and attract more high-end advertising customers.

CONTINGENT LIABILITIES

As at 30 September 2011, the Group did not have any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2011, 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 any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the ordinary shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong	Interest of a controlled corporation	265,500,000 ordinary shares (Note 1)	44.02
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000 ordinary shares (Note 2)	44.02
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000 ordinary shares (Note 3)	1.49
Mr. Wang Fuqing	Interest of a controlled corporation	28,638,000 ordinary shares (Note 4)	4.75
	Beneficial owner	1,044,000 ordinary shares	0.17

Notes:

- (1) These shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.
- (2) These shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.
- (3) These shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.
- (4) These shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), a non-executive director. Mr. Wang is deemed to be interested in all the shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at the 30 September 2011, 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) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

So far as is known to the Directors, as 30 September 2011, the following persons (other than 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 (%)
Lizhong (Note 1)	Beneficial owner	265,500,000	44.02
Broad Win (Note 1)	Interest of a controlled corporation	265,500,000	44.02
Ms. Pan Xiaoying (Note 2)	Interest of spouse	265,500,000	44.02
Joint Loyal (Note 1)	Interest of a controlled corporation	265,000,000	44.02
Ms. Liu Sibin (Note 3)	Interest of spouse	265,500,000	44.02
Mr. Kazunari Shirai (Note 4)	Interest of a controlled corporation	49,362,000	8.18
Ms. Junko Shirai (Note 5)	Interest of spouse	49,362,000	8.18
Smartisian Holdings Company Ltd. (Note 6)	Beneficial owner	36,000,000	5.97
Mr. Wang Shouzhong (Note 6)	Interest of a controlled corporation	36,000,000	5.97
Ms. Liu Jumei (Note 6)	Interest of spouse	36,000,000	5.97

Notes:

- (1) These shares are registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong is owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han.
- (2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the 265,500,000 shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the 265,500,000 shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) Among these Shares, Sequedge Finance Inc. ("Sequedge Finance") is the beneficial owner of 29,185,701 shares and Sequedge ASA Capital (Cayman) II Limited ("Sequedge Capital") is the beneficial owner of 20,176,299 Shares. Mr. Kazunari Shirai ("Mr. Kazunari") is deemed to be interested in all these Shares by virtue of his interest in 72.08% of the entire issued share capital of Sequedge Finance and 60% of the entire issued share capital of Sequedge Capital.
- (5) Ms. Junko Shirai ("Ms. Junko") is the spouse of Mr. Kazunari. Therefore, Ms. Junko is deemed, or taken to be, interested in all shares which Mr. Kazunari is deemed, or taken to be interested in for the purposes of the SFO.
- (6) These shares are registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. ("Smartisian Holdings"), the entire issued share capital of which is owned by Mr. Wang Shouzhong. Mr. Wang Shouzhong is deemed to be interested in all the shares in which Smartisian Holdings is interested by virtue of the SFO. Ms. Liu Jumei is the spouse of Mr. Wang Shouzhong. Ms. Liu Jumei is deemed, or taken to be, interested in all shares which Mr. Wang Shouzhong is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 30 September 2011, the Directors are not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETING INTERESTS

For the nine months ended 30 September 2011, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined under GEM Listing Rules) that compete or may compete, directly or indirectly, with the business of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Oriental Patron Asia Limited ("OPAL"), the compliance adviser of the Company, save for an indirect holding of 3,000,000 shares of the Company by an associate (as defined under the GEM Listing Rules) of OPAL, neither OPAL nor its directors or employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2011.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and Company, OPAL has received and will receive fees for acting as the compliance adviser of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the nine months ended 30 September 2011, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

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 paragraph C.3.3 of the Code. The primary duties of the Audit Committee are to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. The Audit Committee has three members comprising Mr. Gao Xingbo (Chairman), Mr. Feng Bing and Mr. Chen Shaofeng.

The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2011. Members of the Audit Committee were 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
Lin Pintong
Chairman

Hong Kong, 14 November 2011

As at the date hereof, the Board comprises three executive Directors, namely Mr. Lin Pintong (Chairman), Mr. Ruan Deqing and Mr. Han Wenqian; two non-executive Directors, namely Mr. Wang Jianqing and Mr. Wang Fuqing; and four independent non-executive Directors, namely Mr. Gao Xingbo, Mr. Feng Bing, Mr. Chen Shaofeng and Ms. Xing Zhibin.