2012
INTERIM REPORT

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

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

CORPORATE INFORMATION

DIRECTORS

Executive

Mr. Lin Pintong *(Chairman)*
Mr. Ruan Deqing
Mr. Han Wenqian *(Chief Executive Officer)*
Mr. Wang Fuqing

Non-Executive

Mr. Wang Jianqing

Independent Non-Executive

Mr. Gao Xingbo
Mr. Feng Bing
Mr. Chen Shaofeng
Ms. Xing Zhibin

LEGAL ADVISERS

As to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
China

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISER

Oriental Patron Asia Limited

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Leung Ting Yuk

COMPANY SECRETARY

Mr. Leung Ting Yuk, *HKICPA, CPA Australia*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Mr. Gao Xingbo *(Chairman)*
Mr. Feng Bing
Mr. Chen Shaofeng

REMUNERATION COMMITTEE MEMBERS

Mr. Feng Bing *(Chairman)*
Mr. Ruan Deqing
Mr. Gao Xingbo

NOMINATION COMMITTEE MEMBERS

Mr. Chen Shaofeng *(Chairman)*
Mr. Lin Pintong
Mr. Gao Xingbo

REGISTERED OFFICE

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HEAD OFFICE IN THE PRC

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China

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

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Wanchai
Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited

HONG KONG SHARE REGISTRAR

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WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising, audio advertising and outdoor advertising. The Group's revenue for the six months ended 30 June 2012 amounted to RMB97,691,000, representing a decrease of approximately 8.3% as compared to RMB106,584,000 for the corresponding period of last year.

Overall gross profit decreased by RMB65,509,000 or approximately 83.7% to RMB12,770,000 for the six months ended 30 June 2012 from RMB78,279,000 for the corresponding period of last year. The gross profit margin for the current period was approximately 13.1% as compared to approximately 73.4% in the corresponding period of last year. The total comprehensive loss for the period attributable to the owners of the Company amounted to RMB19,254,000, representing a decrease of approximately 146.3% as compared to total comprehensive income of RMB41,604,000 of the corresponding period of last year.

REVIEW BY SEGMENT

Analysis of revenue, gross profit and gross profit margin by segment is as follows:

	Revenue			**Gross Profit**			**Gross Profit Margin**	
	30 June			**30 June**			**30 June**	
	2012	2011		**2012**	2011		**2012**	2011
	Unaudited	Unaudited		**Unaudited**	Unaudited		**Unaudited**	Unaudited
	RMB'000	RMB'000	Change %	**RMB'000**	RMB'000	Change %	**%**	%
Printed media advertising	**65,703**	84,543	(22.3)	**34,241**	61,196	(44.0)	**52.1**	72.4
Audio advertising	**3,084**	14,596	(78.9)	**2,352**	13,721	(82.9)	**76.3**	94.0
Outdoor advertising	**28,904**	7,445	288.2	**(23,823)**	3,362	(808.6)	**(82.4)**	45.2
Total	**97,691**	106,584	(8.3)	**12,770**	78,279	(83.7)	**13.1**	73.4

Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue which contributed approximately 67.3% of the Group's total revenue for the period under review. Revenue from printed media advertising decreased by approximately 22.3% from RMB84,543,000 for the six months ended 30 June 2011 to RMB65,703,000 for the six months ended 30 June 2012 mainly because of the decrease of advertising orders from property developers and companies in relation to property development due to the imposition of control measures on the real estate sector by the PRC government. Gross profit for the six months ended 30 June 2012 amounted to RMB34,241,000, representing a decrease of approximately 44.0% as compared with a gross profit of RMB61,196,000 for the six months ended 30 June 2011. Gross profit margin decreased from approximately 72.4% for the six months ended 30 June 2011 to approximately 52.1% for the six months ended 30 June 2012. The drop in gross profit margin in the period under review was attributable to the high cost incurred for a newly published monthly supplement called "旅客報 1318" (Passengers 1318) (which is a special edition of "旅客報" (Passengers) and for distribution on the China Railway High-speed ("CRH") trains Beijing-Shanghai only) and the increase in headcounts and increment of staff costs.

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 RMB11,512,000 or approximately 78.9% to RMB3,084,000 for the six months ended 30 June 2012 from RMB14,596,000 for the corresponding period in 2011. It was mainly attributable to the decrease in demand for advertising as a result of the Wenzhou's high-speed train collision incident on 23 July 2011 and the loss of a major customer who has not renewed the advertising contract which expired last year. Gross profit amounted to RMB2,352,000 for the six months ended 30 June 2012, representing a decrease of approximately 82.9% as compared to the corresponding period last year, which was RMB13,721,000. Gross profit margin decreased from approximately 94.0% for the six months ended 30 June 2011 to approximately 76.3% in the period under review.

Outdoor Advertising

Revenue from outdoor media advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers at various airports, billboards and LED installed at certain selected train stations and advertising on headrest cover sheets, folding tables and poster frames on high-speed railway trains. Revenue increased from RMB7,445,000 for the six months ended 30 June 2011 to RMB28,904,000 for the six months ended 30 June 2012. The increase was mainly due to the commencement of billboards and LED advertising and advertising on headrest cover sheets, folding tables and poster frames in the second half of 2011. There is a gross loss of RMB23,823,000 for the six months ended 30 June 2012 as compared to gross profit of RMB3,362,000 for the corresponding period of last year. The decrease of profit margin was attributed to the amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrest cover sheets, folding tables and poster frames on high-speed railway trains and the agency fees for the operation of billboards and LED advertising at certain selected train stations. A gross loss margin of approximately 82.4% was resulted for the six months ended 30 June 2012 as compared to a gross profit margin of approximately 45.2% for the corresponding period of last year.

Cost of Sales

Cost of sales increased from RMB28,305,000 for the six months ended 30 June 2011 to RMB84,921,000 for the current period, representing an increase of approximately 200.0%. The increase in cost of sales was mainly attributable to the employment of more staff, increment of staff cost, higher printing costs for the printed media business, as well as agency fees for the operation of billboards and LED advertising at certain selected train stations and amortisation of agency fee, maintenance fees and media service fees paid for the advertisement project on headrest cover sheets, folding tables and poster frames on high-speed railway trains.

Other Income and Gains, Net

Other income and gains, net increased from RMB791,000 for the six months ended 30 June 2011 to RMB1,751,000 in the current period, mainly due to the increase in interest income on bank deposits.

Selling and Distribution Expenses

Selling and distribution expenses mainly include salary, commission to sales staff, travelling and related expenses, office expenses and others. The increase in total was mainly due to more expenses incurred for the expansion of existing business and increment of average salary of sales staff. The amount increased by approximately 72.2% from RMB17,140,000 for the six months ended 30 June 2011 to RMB29,515,000 for the current period, primarily as a result of increase in average salary and commission to sales staff, business meeting and expenses related to the establishing of representative offices for the expansion of existing business alongside the development of the high-speed railway network in China.

Administrative Expenses

Administrative expenses increased by approximately 53.5% from RMB8,294,000 for the six months ended 30 June 2011 to RMB12,735,000 for the current period, primarily due to the increase in rental, entertainment, business meeting expenses, professional fees and directors' remuneration incurred after listing on the GEM Board of the Stock Exchange and increment of average salary and number of staff.

Other Operating Expenses, Net

It mainly represented impairment on trade receivables made in current period.

Income Tax Credit/(Expense)

There was an income tax credit resulting from loss for six months ended 30 June 2012 as compared to income tax expense for the corresponding period of last year. The effective tax rate was 25.1% for the six months ended 30 June 2012 as compared to 25.0% for the corresponding period of last year.

Liquidity and Financial Resources

As at 30 June 2012, the Group's cash and cash equivalents, including bank deposits and cash in hand, and short-term bank deposits with original maturities not exceeding three months, amounted to RMB167,592,000, representing a net decrease of RMB43,258,000 as compared to the position as at 31 December 2011. Net cash used in operating activities amounted to RMB42,471,000 for the six months ended 30 June 2012 as compared to amount of RMB4,800,000 for the corresponding period of last year. As at 30 June 2012, the current ratio was 8.5 (31 December 2011: 6.7) and gearing ratio of the Group was 0.12 (31 December 2011: 0.14) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied their working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 2012, the Group has no assets pledged for bank borrowings or for other purpose (31 December 2011: Nil).

Capital Structure

During the period under review, the Group had net assets of RMB323,066,000 (31 December 2011: RMB343,875,000), comprising non-current assets of RMB49,983,000 (31 December 2011: RMB52,322,000), and current assets of RMB315,973,000 (31 December 2011: RMB346,332,000). The Group recorded a net current asset position of RMB276,185,000 (31 December 2011: RMB295,021,000), which primarily consists of cash and bank equivalents amounted to RMB167,592,000 (31 December 2011: RMB210,850,000), prepayments, deposits and other receivables amounted to RMB81,687,000 (31 December 2011: RMB60,553,000) and trade receivables amounted to RMB52,829,000 (31 December 2011: RMB44,318,000). Major current liabilities are other payables and accruals and trade payables amounted to RMB21,388,000 (31 December 2011: RMB27,138,000) and RMB15,536,000 (31 December 2011: RMB15,948,000), respectively. The Group has no bank borrowings.

Contingent Liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 June 2012, the Group did not have any significant capital commitments.

Total Comprehensive Income/(Loss) Attributable to Owners of the Company and Net Profit Margin

Total comprehensive loss attributable to the owners of the Company for the six months ended 30 June 2012 amounted to RMB19,254,000 (six months ended 30 June 2011: Income of RMB41,604,000) representing a decrease of approximately 146.3% as compared to the figure in the corresponding period of last year. Net loss margin of the Group for the six months ended 30 June 2012 was approximately 23.4% as compared to the net profit margin of approximately 37.6% for the corresponding period of last year.

Foreign Exchange Risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The Directors consider that the Group's risk in foreign exchange is insignificant. During the period under review, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 30 June 2012, the Group had a total of approximately 727 employees (as at 30 June 2011: approximately 648 employees) situated in the PRC. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB35,694,000 (six months ended 30 June 2011: RMB22,503,000).

Material Acquisition and Disposal

During the period under review, no material acquisition or disposal of subsidiaries and affiliated companies was entered into by the Group.

Use of Proceeds

On 28 February 2011, the Company issued 150,000,000 new shares by placing for listing (the "Share Placing"). All such shares issued were ordinary shares and the 150,000,000 new shares were issued at HK$1.80 per share. The net proceeds of the Share Placing received by the Company were approximately HK$261,900,000 (excluding the sale commission).

During the period from the latest practicable date (the "LPD") (as defined in the prospectus (the "Prospectus") of the Company dated 22 February 2011) to 30 June 2012, the net proceeds from the Share Placing and the partial exercise of the Over-allotment Option (as defined in the Prospectus) had been applied as follows:

Business objectives for the period from the LPD to 30 June 2012 as stated in the Prospectus	Planned use of proceeds from the LPD to 30 June 2012 as stated in the Prospectus (HK$ million) (Note)	Actual use of proceeds from the LPD to 30 June 2012 (HK$ million)	Actual business progress up to 30 June 2012
1. Extension of advertising business to train stations: To contract with two local railway bureaus for installation of outdoor advertising billboards.	103.0	47.0	The Group has signed the contracts with five local railway bureaus for installation of outdoor advertising billboards and LED. As at 30 June 2012, approximately HK$32.3 million has been paid as agency fees and deposits and approximately HK$14.7 million has been utilised for installation of billboards and LED at more than twenty train stations operated by these five local railway bureaus. Further investment will be made in the coming year when the installation of outdoor advertising billboards have been approved by the relevant local railway bureaus and/or the relevant train stations have been renovated so that the billboards can be installed.
2. Expansion of existing business alongside the development of the high-speed railway network in China: To establish new representative offices and employ 60 staff to promote and expand the sales network.	40.0	17.1	The Group has established three new representative offices at Henan, Hainan and Shenyang provinces and two subsidiaries in Beijing. As of 30 June 2012, the Group has employed 50 new staff for the promotion and expansion of sales network in the above representative offices. Moreover, the Group has also employed an addition of 153 staff at other locations for the expansion of sale network.
3. Commencement of the operation of new on-board media on trains in China: To make equity investment in a company to install LED panels and related audio/video systems on trains and make further equity investment in that company for the operation of LED panels and related systems on train	38.0	38.0	Because of the change of policy of Ministry of Railway, the contract for the operation of LED panels and related audio/video system are subject to open tenders. Since the expected successful bidding price and/or investment costs become much higher than expected, the Directors have decided to re-allocate the proceeds to the new business of advertising on the headrest cover sheets, folding tables and poster frames on several routes of CRH trains.
4. Acquiring additional advertising space on air traffic control towers: To commence the operation of additional advertising space on three air traffic control towers.	7.0	1.8	The Group has commenced the operation of additional advertising on four traffic control towers.

Business objectives for the period from the LPD to 30 June 2012 as stated in the Prospectus		Planned use of proceeds from the LPD to 30 June 2012 as stated in the Prospectus (HK$ million) (Note)	Actual use of proceeds from the LPD to 30 June 2012 (HK$ million)	Actual business progress up to 30 June 2012
5.	Commencement of the advertising business on the Internet: To launch website for advertising business and provision of information and services in relation to the China railway system and to continue the operation and maintenance of the website.	28.0	5.8	As the government will operate its own website in relation to the provision of information and services relating to China railway system, the Group can no longer launch and operate such website for its internet advertising business. The Directors have decided to re-allocate the proceeds to the new business of advertising on the headrest cover sheets, folding tables and poster frames on several routes of CRH trains.
6.	Repayment of amount due to Lizhong Limited ("Lizhong"): To repay HK$40 million due to Lizhong.	40.0	40.0	The Group has repaid HK$40 million to Lizhong.
Total		228.0	149.7	

Note: This sum represents an aggregate amount of the planned use of proceeds from each of the periods from the LPD to 30 June 2011, for the six months ended 31 December 2011 and for the six months ended 30 June 2012 as stated in the Prospectus, save for the commencement of operation of new on-board media on trains in China which was for the period from the LPD to 31 December 2011 repayment of amount due to Lizhong which was for the period from the LPD to 30 June 2011 only.

Actual application of the net proceeds, except for the commencement of operation of new on-board media on trains in China the repayment of amount due to Lizhong, was lower as compared to the planned application due to the reasons as explained above and/or the CRH train accident happened on 23 July 2011 which slowed down the development of CRH train in China. The Directors expect that some of the business objectives stated in the Prospectus for the period from the LPD to 30 June 2012 will be revisited in the second half of 2012. However, the Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

Future Prospects

The Group will continue to establish sales offices at different PRC cities to expand our sales network, as well as strengthen our sales and advertising teams at different locations to reinforce our leading position in the on-board printed media in the high-speed railway network in China. Moreover, with the commencement of the four main railway routes of Beijing-Shijiazhuang railway, Shijiazhuang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway in the near future, the Group will also increase the number of route-specific supplements of our printed media, thus further expanding the Group's business. The Group has entered into contracts with certain state-owned railways media operators and has been granted the exclusive advertising rights to install and operate the billboards and LED advertisements at more than twenty selected train stations operated by five railway bureaus. To date, the Group has installed billboards, LED and facilities in a number of stations, and has signed several contracts with customers, bringing additional revenue for the Group. This project will expand the Group's advertising platforms and customer base and further strengthen its business coverage.

The Group will continue to secure more advertising space on the air traffic control towers at the civil airports that are operated by the Group. Looking ahead the Group will continue to utilize its competitive advantages to seek potential acquisition and merger opportunities, so as to enhance operational synergies as well as develop a more diversified advertising platform.

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.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period under review, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

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 2,000,000 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 interests 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 June 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and Company, OPAL has received and will receive fee for acting as the compliance adviser of the Company for the period from Listing Date (as defined in the Prospectus) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year, commencing after the Listing Date (as defined in the Prospectus), i.e., the financial year ending 31 December 2013 or until the agreement is terminated in accordance with the terms and conditions set out therein.

COMPETING INTERESTS

For the six months ended 30 June 2012, 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 competes or may compete, directly of indirectly, with the business of the Company.

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

During the six months ended 30 June 2012, the Company repurchased 1,468,000 issued ordinary shares on the Stock Exchange with a view to benefiting shareholders as a whole by enhancing the net assets and earnings per share of the Company. Accompanying the 432,000 shares that repurchased in 2011 but have not yet cancelled as at 31 December 2011, 1,900,000 shares were cancelled on 30 January 2012.

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid	Equivalent aggregate consideration paid
		HK$	HK$	HK$'000	RMB'000
January 2012	1,468,000	0.69	0.64	989	817

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2012.

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 2012, 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 meaning 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 referred to 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 (Note 1)	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Ruan Deqing (Note 2)	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Han Wenqian (Note 3)	Interest of a controlled corporation	9,000,000 ordinary shares	1.50
Mr. Wang Fuqing (Note 4)	Interest of a controlled corporation	28,638,000 ordinary shares	4.77
	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"), an 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 30 June 2012, 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 required to be kept under section 352 of the SFO.

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 at 30 June 2012, 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 (%)
Lizhong (Note 1)	Beneficial owner	265,500,000	44.25
Broad Win (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Pan Xiaoying (Note 2)	Interest of spouse	265,500,000	44.25
Joint Loyal (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Liu Sibin (Note 3)	Interest of spouse	265,500,000	44.25
Mr. Kazunari Shirai (Note 4)	Interest of a controlled corporation	49,362,000	8.23
Ms. Junko Shirai (Note 5)	Interest of spouse	49,362,000	8.23
Smartisian Holdings Company Ltd. (Note 6)	Beneficial owner	36,000,000	6.00
Mr. Wang Shouzhong (Note 6)	Interest of a controlled corporation	36,000,000	6.00
Ms. Liu Jumei (Note 6)	Interest of spouse	36,000,000	6.00

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 for the purposes of the SFO.

(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 June 2012, 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 throughout the period under review.

AUDIT COMMITTEE

The audit committee ("Audit Committee") of the Company 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 mainly 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 six months ended 30 June 2012. 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 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2012

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2012, together with the comparative unaudited figures for the corresponding period in 2011, are as follows:

		Six months ended 30 June		Three months ended 30 June	
		2012	2011	**2012**	2011
		Unaudited	Unaudited	**Unaudited**	Unaudited
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
REVENUE	6	**97,691**	106,584	**48,860**	49,463
Cost of sales		**(84,921)**	(28,305)	**(43,585)**	(13,675)
Gross profit		**12,770**	78,279	**5,275**	35,788
Other income and gains, net	6	**1,751**	791	**912**	649
Selling and distribution expenses		**(29,515)**	(17,140)	**(17,433)**	(8,198)
Administrative expenses		**(12,735)**	(8,294)	**(7,460)**	(2,481)
Other operating expenses, net		**(2,404)**	(55)	**(2,403)**	(50)
Share of profits and losses of:					
A jointly-controlled entity		**(457)**	(319)	**(24)**	(154)
An associate		**36**	131	**(167)**	58
PROFIT/(LOSS) BEFORE TAX	7	**(30,554)**	53,393	**(21,300)**	25,612
Income tax	8	**7,684**	(13,354)	**5,059**	(6,346)
PROFIT/(LOSS) FOR THE PERIOD		**(22,870)**	40,039	**(16,241)**	19,266
Profit/(Loss) for the period attributable to:					
Owners of the Company		**(22,132)**	40,135	**(16,036)**	19,095
Non-controlling interests		**(738)**	(96)	**(205)**	171
		(22,870)	40,039	**(16,241)**	19,266
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10				
Basic (cents)		**(3.69)**	7.25	**(2.68)**	3.17
Diluted (cents)		**(3.69)**	7.25	**(2.68)**	3.17
PROFIT/(LOSS) FOR THE PERIOD		**(22,870)**	40,039	**(16,241)**	19,266
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD:					
Exchange differences on translation of foreign operations		**2,878**	1,469	**(5,309)**	757
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(19,992)**	41,508	**(21,550)**	20,023
Attributable to:					
Owners of the Company		**(19,254)**	41,604	**(21,345)**	19,852
Non-controlling interests		**(738)**	(96)	**(205)**	171
		(19,992)	41,508	**(21,550)**	20,023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**5,716**	5,820
Intangible assets		**12,503**	13,968
Other non-current asset		**16,855**	17,551
Investment in a jointly-controlled entity		**554**	1,012
Investment in an associate		**1,951**	2,115
Available-for-sale investment		**1,277**	1,277
Deposit		**11,127**	10,579
Total non-current assets		**49,983**	52,322
CURRENT ASSETS			
Trade receivables	12	**52,829**	44,318
Prepayments, deposits and other receivables		**81,687**	60,553
Amounts due from directors	14	**—**	30,611
Tax receivable		**13,865**	—
Cash and cash equivalents		**167,592**	210,850
Total current assets		**315,973**	346,332
CURRENT LIABILITIES			
Trade payables	13	**15,536**	15,948
Other payables and accruals		**21,388**	27,138
Amounts due to directors	14	**—**	454
Amount due to a shareholder/the ultimate holding company		**—**	1,784
Amount due to a related company		**—**	1,900
Tax payable		**2,864**	4,087
Total current liabilities		**39,788**	51,311
NET CURRENT ASSETS		**276,185**	295,021
TOTAL ASSETS LESS CURRENT LIABILITIES		**326,168**	347,343
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**3,102**	3,468
Net assets		**323,066**	343,875
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	**3,957**	3,969
Reserves		**312,864**	332,923
		316,821	336,982
Non-controlling interests		**6,245**	6,983
Total equity		**323,066**	343,875

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2012

	Unaudited										
	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	—	—	—	—	—	—	—	40,135	40,135	(96)	40,039
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,469	—	1,469	—	1,469
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	1,469	40,135	41,604	(96)	41,508
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	—	—	—	43	—	—	—	—	43	—	43
At 30 June 2011	3,976	225,104	—	26,196	10,030	—	2,395	100,707	368,408	2,876	371,284
At 1 January 2012	**3,969**	**226,006**	**(216)**	**26,239**	**12,435**	**7**	**(4,631)**	**73,083**	**336,892**	**6,983**	**343,875**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,132)**	**(22,132)**	**(738)**	**(22,870)**
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**2,878**	**–**	**2,878**	**–**	**2,878**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**2,878**	**(22,132)**	**(19,254)**	**(738)**	**(19,992)**
Repurchase and cancellation of ordinary shares	**(9)**	**(808)**	**–**	**–**	**–**	**9**	**–**	**(9)**	**(817)**	**–**	**(817)**
Net change in treasury shares	**(3)**	**(213)**	**216**	**–**	**–**	**3**	**–**	**(3)**	**–**	**–**	**–**
At 30 June 2012	**3,957**	**224,985**	**–**	**26,239**	**12,435**	**19**	**(1,753)**	**50,939**	**316,821**	**6,245**	**323,066**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2012

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash used in operating activities	**(42,471)**	(4,800)
Net cash generated from/(used in) investing activities	**9,944**	(165)
Net cash generated from/(used in) financing activities	**(3,259)**	162,331
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(35,786)**	157,366
Cash and cash equivalents at beginning of period	**200,500**	103,102
Effect of foreign exchange rate changes, net	**2,878**	42
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**167,592**	260,510

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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. The registered office address 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 Room 4215, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Pursuant to a 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 then 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 "Prospectus"). The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the operation and provision of advertising services of printed media and audio programmes for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2. BASIS OF PRESENTATION AND PREPARATION

(a) The condensed consolidated financial statements for the periods ended 30 June 2012 and 2011 include the financial statements of the Company and its subsidiaries for the periods ended 30 June 2012 and 2011. The condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an entity transaction. If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(b) The condensed consolidated financial statements have been prepared in accordance with 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 requirements of the Hong Kong Companies Ordinance. The condensed consolidated financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

3.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

In the current period, the Group applied for the first time the following new and revised IFRSs, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2012.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income taxes — Deferred tax: Recovery of Underlying Assets*

The adoption of these new and revised IFRSs has had no material effect on the condensed consolidated interim financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Group's condensed consolidated interim financial statements.

IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
IFRS 1	*Government Loan* [2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
IFRS 9	*Financial Instruments* [4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
IFRS 10	*Consolidated Financial Statements* [2]
IFRS 11	*Joint Arrangements* [2]
IFRS 12	*Disclosure of Interests in Other Entities* [2]
IFRS 13	*Fair Value Measurement* [2]
IAS 19 Amendments	*Employee Benefits* [2]
IAS 27 (Revised)	*Separate Financial Statements* [2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures* [2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
Annual Improvements Project	*Annual Improvements to IFRSs 2009 – 2011* [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs would have a significant impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2011.

5. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their advertising channels and has three reportable operating segments in Mainland China as follows:

(a) printed media advertising: sale of advertising spaces in magazines and newspapers;

(b) outdoor advertising: sale of advertising spaces on air traffic control towers at airports, trains and railway stations; and

(c) audio advertising: sale of advertising air time through audio broadcasting during train transmission.

	Unaudited			
	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
Six months ended 30 June 2012				
Segment revenue:				
Sales to external customers	**65,703**	**28,904**	**3,084**	**97,691**
Segment results	**34,241**	**(23,823)**	**2,352**	**12,770**
Reconciliation:				
Interest income				**1,731**
Other unallocated income and gains, net				**20**
Share of profits and losses of:				
a jointly-controlled entity				**(457)**
an associate				**36**
Corporate and other unallocated expenses				**(44,654)**
Loss before tax				**(30,554)**
Income tax credit				**7,684**
Loss for the period				**(22,870)**

5. OPERATING SEGMENT INFORMATION (continued)

	Unaudited			
	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
Six months ended 30 June 2011				
Segment revenue:				
Sales to external customers	84,543	7,445	14,596	106,584
Segment results	61,196	3,362	13,721	78,279
Reconciliation:				
Interest income				685
Other unallocated income and gains, net				106
Share of profits and losses of:				
a jointly-controlled entity				(319)
an associate				131
Corporate and other unallocated expenses				(25,489)
Profit before tax				53,393
Income tax expense				(13,354)
Profit for the period				40,039

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax. An analysis of revenue and other income and gains, net, is as follows:

	Unaudited Six months ended 30 June		**Unaudited Three months ended 30 June**	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Revenue				
Printed media advertising income	**70,910**	90,818	**35,759**	43,546
Outdoor advertising income	**31,194**	7,997	**16,406**	4,134
Audio advertising income	**3,329**	15,680	**1,349**	4,846
	105,433	114,495	**53,514**	52,526
Less: business tax	**(7,742)**	(7,911)	**(4,654)**	(3,063)
Total	**97,691**	106,584	**48,860**	49,463
Other income and gains, net				
Interest income	**1,731**	685	**895**	589
Others	**20**	106	**17**	60
Total	**1,751**	791	**912**	649

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Depreciation	**510**	600	**253**	285
Amortisation of intangible assets	**1,465**	1,250	**732**	625
Amortisation of other non-current asset	**696**	538	**348**	269
Impairment of trade receivables	**2,400**	—	**2,400**	—
Minimum lease payments under operating leases on land and buildings	**2,647**	2,316	**1,350**	1,306
Employee benefit expense (including directors' remuneration):				
Wages and salaries	**30,619**	19,340	**16,461**	9,866
Equity-settled share option expenses	**—**	43	**—**	21
Pension scheme contributions*	**5,075**	3,120	**2,396**	1,586
	35,694	22,503	**18,857**	11,473

* As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

8. INCOME TAX

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 (six months ended 30 June 2011: 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 of all the PRC subsidiaries is 25%.

	Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current — Mainland China				
Charge/(credit) for the period	**(7,318)**	13,643	**(4,838)**	6,490
Deferred	**(366)**	(289)	**(221)**	(144)
Total tax charge/(credit) for the period	**(7,684)**	13,354	**(5,059)**	6,346

9. DIVIDENDS

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of RMB22,132,000 (six months ended 30 June 2011: profit of RMB40,135,000) and the weighted average number of ordinary shares of 600,137,000 (six months ended 30 June 2011: 553,246,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30 June 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those periods.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Net carrying amount at 1 January	**5,820**	6,567
Additions	**406**	2,642
Disposals	**—**	(2)
Disposal of subsidiaries	**—**	(2,056)
Depreciation for the period/year	**(510)**	(1,331)
Net carrying amount at the period/year end	**5,716**	5,820

12. TRADE RECEIVABLES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Trade receivables	**78,862**	67,951
Less: impairment	**(26,033)**	(23,633)
	52,829	44,318

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days.

12. TRADE RECEIVABLES (continued)

As at 30 June 2012, an aged analysis of the trade receivables, based on the advertisement publication date, is as follows:

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within 3 months	**32,104**	19,563
3 to 6 months	**10,674**	5,590
6 months to 1 year	**7,795**	18,824
Over 1 year	**28,289**	23,974
	78,862	67,951

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Neither past due nor impaired	**25,739**	19,599
Past due but not impaired:		
Less than 3 months	**5,867**	5,559
More than 3 months	**6,795**	5,790
	38,401	30,948

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

13. TRADE PAYABLE

An aged analysis of the trade payables as at 30 June 2012, based on the invoice date, is as follows:

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within 3 months	**9,673**	13,319
3 to 6 months	**3,918**	1,554
Over 6 months	**1,945**	1,075
	15,536	15,948

14. BALANCES WITH DIRECTORS

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Amounts due from Directors:		
— Mr. Lin Pintong	**—**	15,306
— Mr. Ruan Deqing	**—**	15,305
	—	30,611

The balances with Directors are unsecured, interest-free and repayable on demand.

15. 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., Limited ("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 and 1 January 2011		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
Repurchase and cancellation of ordinary shares	(i)	(1,190,000)	(7)
At 31 December 2011		601,900,000	3,969
Repurchase and cancellation of ordinary shares	(j)	(1,900,000)	(12)
At 30 June 2012		600,000,000	3,957

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)).

15. SHARE CAPITAL (continued)

Notes: (continued)

(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 (equivalent to RMB226,800,000) on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.

(h) In connection with the Company's initial public offering, an over-allotment option was exercised by Oriental Patron Securities Limited ("Oriental Patron") and accordingly, 3,090,000 shares of US$0.001 each were issued to Oriental Patron at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$5,562,000 (equivalent to RMB4,672,000) on 30 March 2011. Oriental Patron might exercise the over-allotment options, which were exercisable from the listing date (i.e. 28 February 2011) up to 30 March 2011.

(i) For the year ended 31 December 2011, the Company repurchased 1,622,000 shares of US$0.001 at prices ranging from HK$0.56 to HK$0.64 per share at an aggregate consideration of RMB783,000. 1,190,000 repurchased ordinary shares were cancelled in the year. The premium of approximately RMB560,000 paid on the repurchase of such shares was debited to the share premium account and an amount of RMB7,000 was transferred from accumulated losses of the Company to the capital redemption reserve. In respect of the 432,000 ordinary shares not yet cancelled as at 31 December 2011, treasury shares of RMB216,000 are recorded at the amount of consideration paid and deducted from equity attributable to the owners of the Company until they are subsequently cancelled.

(j) For the period ended 30 June 2012, the Company repurchased 1,468,000 shares of US$0.001 at prices ranging from HK$0.64 to HK$0.69 per share at an aggregate consideration of RMB817,000. Accompanying the 432,000 shares that were repurchased in 2011 but have not yet cancelled as at 31 December 2011, 1,900,000 shares were cancelled on 30 January 2012. The premium of approximately RMB1,021,000 paid on the repurchase of such shares was debited to the share premium account and an amount of RMB12,000 was transferred to the capital redemption reserve from retained profits.

16. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to five years.

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within 1 year	**4,602**	3,512
After 1 year but within 5 years	**837**	1,215
	5,439	4,727

17. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the period:

		Unaudited Six months ended 30 June		Unaudited Three months ended 30 June	
	Notes	**2012 RMB'000**	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Advertising agency fee to an associate	(a)	**1,533**	1,100	**587**	566
Advertising agency fee to a non-controlling shareholder of a subsidiary	(b)	**1,100**	1,041	**550**	516
Advertising fee to the holding company of a non-controlling shareholder of a subsidiary	(c)	**—**	3,055	**—**	1,873
Printing expenses reimbursed to a non-controlling shareholder of a subsidiary	(d)	**4,567**	2,920	**2,138**	1,364

Notes:

(a) The advertising agency fee was paid/payable to an associate, Beijing Phoenix Dragon Culture Media Company Limited, for the exclusive advertising agency rights of a magazine operated by the associate.

(b) The advertising agency fee was paid/payable to a non-controlling shareholder of a subsidiary for the exclusive advertising rights of certain magazines.

(c) The advertising agency fee was paid/payable to the holding company of a non-controlling shareholder of a subsidiary for the exclusive advertising rights of a newspaper.

(d) The printing expenses were paid to a non-controlling shareholder of a subsidiary based on actual costs incurred.

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

Pursuant to the deed of undertaking dated 17 December 2010 received from Lizhong, Lizhong agreed to bear the listing expenses except for the portion attributable to the listing of new shares of the Company under the placing (the "Placing") as detailed in the Prospectus of the Company dated 22 February 2011.

The related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.