



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

Third Quarterly Report 2012

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine months ended 30 September 2012

### 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 months and three months ended 30 September 2012, together with the comparative unaudited figures for the corresponding periods in 2011, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
REVENUE	5	<b>156,869</b>	151,617	<b>59,178</b>	45,033
Cost of sales		<b>(123,359)</b>	(46,441)	<b>(38,438)</b>	(18,136)
Gross profit		<b>33,510</b>	105,176	<b>20,740</b>	26,897
Other income and gains, net		<b>2,209</b>	978	<b>458</b>	187
Selling and distribution expenses		<b>(46,965)</b>	(31,549)	<b>(17,450)</b>	(14,409)
Administrative expenses		<b>(23,268)</b>	(13,359)	<b>(10,533)</b>	(5,065)
Other operating expenses, net		<b>(2,427)</b>	(59)	<b>(23)</b>	(4)
Share of profits and losses of:					
A jointly-controlled entity		<b>(329)</b>	(413)	<b>128</b>	(94)
An associate		<b>262</b>	163	<b>226</b>	32
PROFIT/(LOSS) BEFORE TAX		<b>(37,008)</b>	60,937	<b>(6,454)</b>	7,544
Income tax	6	<b>9,152</b>	(15,833)	<b>1,468</b>	(2,479)
PROFIT/(LOSS) FOR THE PERIOD		<b>(27,856)</b>	45,104	<b>(4,986)</b>	5,065
Profit/(loss) for the period attributable to:					
Owners of the Company		<b>(27,323)</b>	45,090	<b>(5,191)</b>	4,955
Non-controlling interests		<b>(533)</b>	14	<b>205</b>	110
		<b>(27,856)</b>	45,104	<b>(4,986)</b>	5,065
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic (cents)		<b>(4.55)</b>	7.85	<b>(0.86)</b>	0.86
Diluted (cents)		<b>(4.55)</b>	7.85	<b>(0.86)</b>	0.86
PROFIT/(LOSS) FOR THE PERIOD		<b>(27,856)</b>	45,104	<b>(4,986)</b>	5,065
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD:					
Exchange differences on translation of foreign operations		<b>1,081</b>	2,391	<b>(1,797)</b>	922
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<b>(26,775)</b>	47,495	<b>(6,783)</b>	5,987
Attributable to:					
Owners of the Company		<b>(26,242)</b>	47,481	<b>(7,129)</b>	5,877
Non-controlling interests		<b>(533)</b>	14	<b>346</b>	110
		<b>(26,775)</b>	47,495	<b>(6,783)</b>	5,987



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 30 September 2012

	Unaudited										
	Attributable to owners of the Company										Total equity
	Issued capital	Share premium account	Treasury shares	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2011	2,967	9,469	—	26,153	10,030	—	926	60,572	110,117	2,972	113,089
Profit 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 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
<b>At 30 September 2011</b>	<b>3,976</b>	<b>225,104</b>	<b>—</b>	<b>26,218</b>	<b>10,030</b>	<b>—</b>	<b>3,317</b>	<b>105,662</b>	<b>374,307</b>	<b>2,986</b>	<b>377,293</b>
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	—	—	—	—	—	—	—	(27,323)	(27,323)	(533)	(27,856)
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,081	—	1,081	—	1,081
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	1,081	(27,323)	(26,242)	(533)	(26,775)
Repurchase and cancellation of ordinary shares	(9)	(808)	—	—	—	9	—	(9)	(817)	—	(817)
Net change in treasury shares	(3)	(213)	216	—	—	3	—	(3)	—	—	—
<b>At 30 September 2012</b>	<b>3,957</b>	<b>224,985</b>	<b>—</b>	<b>26,239</b>	<b>12,435</b>	<b>19</b>	<b>(3,550)</b>	<b>45,748</b>	<b>309,833</b>	<b>6,450</b>	<b>316,283</b>



## 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. 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 September 2012 and 2011 include the financial statements of the Company and its subsidiaries for the periods ended 30 September 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 2011.

### 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 2012. 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.

	Unaudited Nine months ended 30 September		Unaudited Three months ended 30 September	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue				
Printed media advertising income	<b>103,406</b>	121,786	<b>37,703</b>	37,243
Outdoor advertising income	<b>47,550</b>	13,823	<b>18,646</b>	6,378
Audio advertising income	<b>5,913</b>	16,008	<b>2,829</b>	1,412
	<b>156,869</b>	151,617	<b>59,178</b>	45,033



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

	Unaudited			
	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
<b>Nine months ended 30 September 2012</b>				
<b>Segment revenue:</b>				
Sales to external customers	103,406	47,550	5,913	156,869
<b>Segment results</b>	<b>59,777</b>	<b>(31,924)</b>	<b>5,657</b>	<b>33,510</b>
<i>Reconciliation:</i>				
Interest income				2,180
Other unallocated income and gains, net				29
Share of profits and losses of:				
a jointly-controlled entity				(329)
an associate				262
Corporate and other unallocated expenses				(72,660)
Loss before tax				(37,008)
Income tax credit				9,152
Loss for the period				(27,856)

	Unaudited			
	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
<b>Nine months ended 30 September 2011</b>				
<b>Segment revenue:</b>				
Sales to external customers	121,786	13,823	16,008	151,617
<b>Segment results</b>	<b>85,590</b>	<b>4,271</b>	<b>15,315</b>	<b>105,176</b>
<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

### 6. 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 (nine months ended 30 September 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%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the nine months ended 30 September 2012 (nine months ended 30 September 2011: Nil).

### 7. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the nine months ended 30 September 2012 (nine months ended 30 September 2011: Nil).

### 8. 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 RMB27,323,000 (nine months ended 30 September 2011: profit of RMB45,090,000) and the weighted average number of ordinary shares of 600,100,000 (nine months ended 30 September 2011: 574,328,000) in issue during the period.

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





## 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., 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 September 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)).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. 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 2011. 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 September 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 nine months ended 30 September 2012 amounted to RMB156,869,000, representing an increase of approximately 3.5% as compared to RMB151,617,000 for the corresponding period of last year.

Overall gross profit decreased by RMB71,666,000 or approximately 68.1% to RMB33,510,000 for the nine months ended 30 September 2012 from RMB105,176,000 for the corresponding period of last year. The gross profit margin for the current period was approximately 21.4% as compared to approximately 69.4% in the corresponding period of last year. The total comprehensive loss for the period attributable to the owners of the Company amounted to RMB27,323,000, representing a decrease of approximately 160.6% as compared to total comprehensive income of RMB45,090,000 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 September		Change %	30 September		Change %	30 September	
	2012	2011		2012	2011		2012	2011
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Printed media advertising	<b>103,406</b>	121,786	(15.1)	<b>59,777</b>	85,590	(30.2)	<b>57.8</b>	70.3
Audio advertising	<b>5,913</b>	16,008	(63.1)	<b>5,657</b>	15,315	(63.1)	<b>95.7</b>	95.7
Outdoor advertising	<b>47,550</b>	13,823	244.0	<b>(31,924)</b>	4,271	(847.5)	<b>(67.1)</b>	30.9
Total	<b>156,869</b>	151,617	3.5	<b>33,510</b>	105,176	(68.1)	<b>21.4</b>	69.4

### Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue which contributed approximately 65.9% of the Group's total revenue for the period under review. Revenue from printed media advertising decreased by approximately 15.1% from RMB121,786,000 for the nine months ended 30 September 2011 to RMB103,406,000 for the nine months ended 30 September 2012 mainly because of the decrease of advertising orders from property developers and companies related to property development due to the imposition of control measures on the real estate sector by the PRC government. Gross profit from printed media advertising for the nine months ended 30 September 2012 amounted to RMB59,777,000, representing a decrease of approximately 30.2% as compared with a gross profit of RMB85,590,000 for the nine months ended 30 September 2011. Gross profit margin of printed media advertising decreased from approximately 70.3% for the nine months ended 30 September 2011 to approximately 57.8% for the nine months ended 30 September 2012. The drop in gross profit margin in the period under review was attributable to the high costs 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 RMB10,095,000 or approximately 63.1% to RMB5,913,000 for the nine months ended 30 September 2012 from RMB16,008,000 for the corresponding period in 2011. The decrease 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 an advertising contract which expired last year. Gross profit from audio advertising amounted to RMB5,657,000 for the nine months ended 30 September 2012, representing a decrease of approximately 63.1% as compared to the corresponding period last year, which was RMB15,315,000. Gross profit margin of audio advertising maintained at approximately 95.7% for the nine months ended 30 September 2012.

### 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 RMB13,823,000 for the nine months ended 30 September 2011 to RMB47,550,000 for the nine months ended 30 September 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 RMB31,924,000 from outdoor advertising for the nine months ended 30 September 2012 as compared to gross profit of RMB4,271,000 from outdoor advertising for the corresponding period of last year. The decrease of profit margin of outdoor advertising 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 67.1% was resulted for the nine months ended 30 September 2012 as compared to a gross profit margin of approximately 30.9% for the corresponding period of last year.

### CONTINGENT LIABILITIES

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

### FUTURE PROSPECTS

The Group will continue to establish sales offices at different cities in the PRC 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 billboards and LED advertisements at more than 20 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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 of the Company (the "Directors"), the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") throughout the period under review.

### 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 September 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and the 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 nine months ended 30 September 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 or indirectly, with the business of the Group.

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

During the nine months ended 30 September 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 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 HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000	Equivalent aggregate consideration paid 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 nine months ended 30 September 2012.



## 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 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	Interest of a controlled corporation	265,500,000	44.25
		ordinary shares (Note 1)	
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000	44.25
		ordinary shares (Note 2)	
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000	1.50
		ordinary shares (Note 3)	
Mr. Wang Fuqing	Interest of a controlled corporation	28,638,000	4.77
		ordinary shares (Note 4)	
	Beneficial owner	1,194,000	0.20
		ordinary shares	

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 September 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 September 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

- (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 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 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 nine months ended 30 September 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, 13 November 2012

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