# 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


# 2013
# INTERIM REPORT

## 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.**

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# Contents



# Corporate Information

## DIRECTORS

**Executive Directors**

Mr. Ruan Deqing *(Chairman with effect from 3 May 2013)*
Mr. Lin Pintong *(former Chairman until 3 May 2013)*
Mr. Han Wenqian *(Chief Executive Officer)*

**Non-Executive Directors**

Mr. Wang Fuqing
(formerly an executive Director; re-designated as non-executive Director on 19 July 2013)
Mr. Wang Jianqing

**Independent Non-Executive Directors**

Mr. Gao Xingbo
Mr. Feng Bing (resigned on 30 June 2013)
Mr. Chen Shaofeng
Ms. Xing Zhibin (retired on 3 May 2013)

## 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. Lee Man Tai

## COMPANY SECRETARY

Mr. Lee Man Tai, *FCCA, FCPA*

## COMPLIANCE OFFICER

Mr. Ruan Deqing

## AUDIT COMMITTEE MEMBERS

Mr. Gao Xingbo *(Chairman)*
Mr. Feng Bing (resigned on 30 June 2013)
Mr. Chen Shaofeng
Mr. Wang Jianqing (appointed on 30 June 2013)

## REMUNERATION COMMITTEE MEMBERS

Mr. Gao Xingbo *(Chairman)*
(formerly a member; appointed as chairman on 30 June 2013)
Mr. Feng Bing *(Chairman)* (resigned on 30 June 2013)
Mr. Ruan Deqing
Mr. Chen Shaofeng (appointed on 30 June 2013)

## NOMINATION COMMITTEE MEMBERS

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

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

## HEAD OFFICE IN THE PRC

Room 802, 8th Floor, Office Building A3
Xinyi Garden
Chongwen District
Beijing
China

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

Room 4215
Office Tower Convention Plaza
No. 1 Harbour Road Wanchai
Hong Kong

## PRINCIPAL BANKERS

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

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

## 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 Company and its subsidiaries (collectively, the "Group") during the period included printed media advertising, outdoor advertising and audio advertising. The Group's total revenue for the six months ended 30 June 2013 amounted to approximately RMB84,604,000, representing a decrease of approximately RMB13,087,000 or 13.4% as compared to approximately RMB97,691,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB36,276,000 or 284.1% to approximately RMB49,046,000 for the six months ended 30 June 2013 from approximately RMB12,770,000 for the corresponding period last year. The gross profit margin for the current period increased to 58.0% from 13.1% in the corresponding period last year. The Group recorded a total comprehensive income attributable to owners of the Company for the period amounted to approximately RMB5,963,000 while it recorded a total comprehensive loss attributable to owners of the Company amounted to approximately RMB19,254,000 for the corresponding period last year.

## REVIEW BY SEGMENT

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

| | Revenue Six months ended 30 June | | | Gross Profit Six months ended 30 June | | | Gross Profit Margin Six months ended 30 June | |
|---|---|---|---|---|---|---|---|---|
| | **2013 (unaudited) RMB'000** | 2012 (unaudited) RMB'000 | Change % | **2013 (unaudited) RMB'000** | 2012 (unaudited) RMB'000 | Change % | **2013 (unaudited) %** | 2012 (unaudited) % |
| Printed media advertising | **56,701** | 65,703 | (13.7) | **36,915** | 34,241 | 7.8 | **65.1** | 52.1 |
| Outdoor advertising | **27,545** | 28,904 | (4.7) | **11,773** | (23,823) | (149.4) | **42.7** | (82.4) |
| Audio advertising | **358** | 3,084 | (88.4) | **358** | 2,352 | (84.8) | **100.0** | 76.3 |
| Total | **84,604** | 97,691 | (13.4) | **49,046** | 12,770 | 284.1 | **58.0** | 13.1 |

### Printed Media Advertising

Revenue from printed media advertising was the main source of revenue, representing approximately 67.0% of the Group's total revenue for the six months ended 30 June 2013. It is expected to remain as the principal source of income for the Group in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals operated by the Group and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on all China Railway High-speed ("CRH") trains and selected regular trains in China. Revenue from "旅伴" (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 95.9% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB9,002,000 or 13.7% from approximately RMB65,703,000 for the six months ended 30 June 2012 to approximately RMB56,701,000 for the six months ended 30 June 2013. The decrease was mainly due to the halt of distribution of "旅客報" (Passengers) and "報林" (Resources) in January 2013. Please refer to announcements of the Company dated 7 January 2013 and 23 January 2013 for details of the halt of distribution.

# Management Discussion and Analysis and Disclosure of Additional Information

Gross profit from printed media advertising for the six months ended 30 June 2013 amounted to approximately RMB36,915,000, representing an increase of approximately 7.8% as compared to the corresponding period last year, which was approximately RMB34,241,000. Gross profit margin of printed media advertising increased from approximately 52.1% for the six months ended 30 June 2012 to approximately 65.1% for the six months ended 30 June 2013. The increase in gross profit margin was mainly attributable to the halt of distribution of "旅客報" (Passengers) and "報林" (Resources), which had a lower profit margin than "旅伴" (Fellow Traveller).

**Outdoor Advertising**

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations and advertising on headrest cover sheets, folding tables and poster frames on CRH trains. Revenue from outdoor advertising decreased by approximately RMB1,359,000 or 4.7% from approximately RMB28,904,000 for the six months ended 30 June 2012 to approximately RMB27,545,000 for the six months ended 30 June 2013. The decrease was mainly due to the cease of operation on the headrest cover sheets, folding tables and poster frames on certain routes of CRH trains as the advertising rights has expired in February 2013. The above was offset by the increase of billboards and LEDs advertising as a result of the commencement of Harbin-Dalian High-speed Railway in October 2012.

Gross profit from outdoor advertising for the six months ended 30 June 2013 amounted to approximately RMB11,773,000 while it recorded gross loss of approximately RMB23,823,000 for the corresponding period last year. The increase of gross profit was mainly attributed to the full 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 CRH trains by the fourth quarter of 2012, which no longer affects the period under review. Gross profit margin of outdoor advertising was 42.7% for the six months ended 30 June 2013 as compared to a gross loss margin of 82.4% for the six months ended 30 June 2012 for the corresponding period last year.

**Audio Advertising**

Revenue from audio advertising represented the amount generated from the sales of advertising time slots 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 time slot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio advertising decreased by approximately RMB2,726,000 or 88.4% from approximately RMB3,084,000 for the six months ended 30 June 2012 to approximately RMB358,000 for the six months ended 30 June 2013. The decrease was mainly due to the phase-out of audio advertising upon the expiry of existing contract period by March 2013.

Gross profit from audio advertising for the six months ended 30 June 2013 amounted to approximately RMB358,000, representing a decrease of approximately 84.8% as compared to the corresponding period last year, which was approximately RMB2,352,000. Gross profit margin of audio advertising increased from approximately 76.3% for the six months ended 30 June 2012 to 100.0% for the six months ended 30 June 2013.

**Cost of Sales**

Cost of sales decreased from approximately RMB84,921,000 for the six months ended 30 June 2012 to approximately RMB35,558,000 for the current period, representing a decrease of approximately 58.1%. The decrease in cost of sales was mainly attributable to the cease of operation on the headrest cover sheets, folding tables and poster frames on certain routes of CRH trains as the advertising rights has expired in February 2013 and the halt of distribution of "旅客報" (Passengers) and "報林" (Resources).

# Management Discussion and Analysis and Disclosure of Additional Information

### Other Income and Gains, Net

Other income and gains, net decreased from approximately RMB1,751,000 for the six months ended 30 June 2012 to approximately RMB1,160,000 in the current period, mainly due to the decrease in interest income on bank deposits.

### Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 25.8% from approximately RMB29,515,000 for the six months ended 30 June 2012 to approximately RMB21,895,000 for the current period, primarily due to the decrease in salary and design and production expenses.

### Administrative Expenses

Administrative expenses increased by approximately 13.3% from approximately RMB12,735,000 for the six months ended 30 June 2012 to approximately RMB14,431,000 for the current period, primarily due to the increase in entertainment and business meeting expenses.

### Income Tax

There was an income tax expense for the six months ended 30 June 2013 as compared to income tax credit resulting from loss for the corresponding period last year. The effective tax rate was 24.3% for the six months ended 30 June 2013 as compared to 25.1% for the corresponding period of last year.

### Liquidity and Financial Resources

As at 30 June 2013, 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 approximately RMB119,311,000, representing a net decrease of approximately RMB12,926,000 as compared to the position as at 31 December 2012.

As at 30 June 2013, the current ratio was 4.39 (as at 31 December 2012: 3.24) and gearing ratio of the Group was (0.44) (as at 31 December 2012: (0.45)) 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 2013, the Group has no assets pledged for bank borrowings or for other purpose (as at 31 December 2012: nil).

### Contingent Liabilities

As at 30 June 2013, the Group did not have any significant contingent liabilities (as at 31 December 2012: nil).

# Management Discussion and Analysis and Disclosure of Additional Information

**Capital Commitments**

As at 30 June 2013, the Group did not have any significant capital commitments.

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

Total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2013 amounted to approximately RMB5,963,000 as compared to total comprehensive loss of approximately RMB19,254,000 in the corresponding period last year. Net profit margin of the Group for the six months ended 30 June 2013 was approximately 12.0% as compared to net loss margin of approximately 23.4% for the corresponding period last year.

**Capital Structure**

During the period under review, the Group had net assets of approximately RMB241,344,000 (31 December 2012: approximately RMB234,863,000), comprising non-current assets of approximately RMB75,933,000 (31 December 2012: approximately RMB68,574,000), and current assets of approximately RMB214,836,000 (31 December 2012: approximately RMB241,427,000). The Group recorded a net current asset position of approximately RMB165,910,000 (31 December 2012: approximately RMB166,853,000), which primarily consists of cash and bank equivalents amounted to approximately RMB119,311,000 (31 December 2012: approximately RMB142,587,000), trade receivables amounted to approximately RMB56,354,000 (31 December 2012: approximately RMB43,409,000) and prepayments, deposits and other receivables amounted to approximately RMB39,171,000 (31 December 2012: approximately RMB35,356,000). Major current liabilities are other payables and accruals and trade payables amounted to approximately RMB35,208,000 (31 December 2012: approximately RMB42,066,000) and approximately RMB13,016,000 (31 December 2012: approximately RMB30,214,000), respectively. The Group has no bank borrowings as at 30 June 2013.

**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 and United States 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 2013, the Group had a total of 452 employees (as at 30 June 2012: 727 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 RMB29,703,000 (six months ended 30 June 2012: RMB35,694,000).

**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 2013, 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 2013 as stated in the Prospectus | Planned use of proceeds from the LPD to 31 December 2012 as stated in the Prospectus (HK$ million) (Note) | Actual use of proceeds from the LPD to 30 June 2013 (HK$ million) | Actual business progress up to 30 June 2013 |
|---|---|---|---|
| 1. Extension of advertising business to train stations: To contract with two local railway bureaus for installation of outdoor advertising billboards and provide ongoing maintenance services for the advertising space. | 108.0 | 76.2 | The Group has signed the contracts with five local railway bureaus for installation of outdoor advertising billboards and LED. As at 30 June 2013, approximately HK$59.4 million has been paid as agency fees and deposits and approximately HK$16.8 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, employ 70 staff to promote and expand the sales network and enhance and expand sales network. | 60.0 | 30.6 | The Group has established two new representative offices at Henan and Hainan provinces. As at 30 June 2013, the Group has employed 60 staff for the promotion and expansion of sales network in the above representative offices. Moreover, the Group has also employed 153 staff at other locations for the expansion of sale network. |

| Business objectives for the period from the LPD to 30 June 2013 as stated in the Prospectus | Planned use of proceeds from the LPD to 31 December 2012 as stated in the Prospectus (HK$ million) (Note) | Actual use of proceeds from the LPD to 30 June 2013 (HK$ million) | Actual business progress up to 30 June 2013 |
|---|---|---|---|
| 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 and to continue their operation and maintenance. | 10.0 | 3.6 | The Group has commenced the operation of additional advertising on six traffic control towers. |
| 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. | 33.0 | 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 | 289.0 | 194.2 | |

Note: This sum represents an aggregate amount of the planned use of proceeds from each of the periods from the LPD to 31 December 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 and 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 and 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 use of proceeds will be revisited in the second half of 2013. 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.

**Prospects**

Looking ahead, the Group will endeavor to maintain the growth of its existing businesses and expand into diversified new businesses. The Group will continue to establish sales offices in different cities in the PRC to expand its sales network, as well as strengthen its sales and advertising teams in order to reinforce its leading position in the printed media on the CRH network in China. Moreover, with the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhuang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway in the future, the Group will also increase the number of route-specific supplements of its printed media, which will provide a favourable business environment for developing of advertising business on the railway network.

To help the Group reinforce its printed media advertising business, the Group has obtained the right of cooperation for the operation of "上海鐵道" (Shanghai Railway), a monthly publication distributed on high-speed railway passenger trains operated by the Shanghai Ministry of Railway on 3 April 2013. In addition, the Group has obtained cooperation right of "都市生活" (City Life), a periodical distributed on regular trains and/or high speed trains operated by railway bureaus of Wuhan on 13 May 2013. These could expand the Group's advertising platforms and broaden its customer base. Please refer to the announcements of the Company dated 8 April 2013 and 28 May 2013 for further details of these two publications.

The Group entered into contracts with certain state-owned railway media operators in 2012, and was granted with sole advertising agency rights. As at 30 June 2013, the Group had installed and operated the billboards and LEDs advertisements at 20 selected train stations operated by five railway bureaus, including Harbin-Dalian High-speed Railway which has just commenced its operation. To date, the Group had installed billboards, LEDs and related facilities at several stations, and had entered into advertising contracts with several customers. These projects will generate revenue to the Group and further strengthen its business coverage. In addition to the advertising business through railway, the Group will continue to identify more advertising spaces on the air traffic control towers at the civil airports that are currently operated by the Group in order to expand the Group's outdoor business.

The Group has developed a diverse advertising platform of printed media, and obtained an exclusive right of operation, production and advertising agency of "東方養生" (Ever Green), a publication distributed on first class cabins of Hainan Airlines and selected hotels in January 2013. Hence, the Group has secured a new media channel for its printed media advertising business. This will also strengthen high-end customer base and provide additional income to the Group. Meanwhile, the Group also endeavored to develop new media business. In order to expand the Group's advertising business to television, the Group cooperated with a directly owned subsidiary of China Central Television ("CCTV"), and obtained the production rights of "地理 • 中國" (Geographic China), one of the programmes of CCTV's Science & Education Channel (CCTV-10). This cooperation will further expand the Group's advertising platforms and customer base. It is expected that this new business can attract high-end advertising customers and generate substantial revenue for the Group in the coming years.

In future, the Group will continue to utilise its competitive advantages in seeking potential opportunities of merger and acquisition so as to achieve growth from synergy in operations and to develop a more diversified advertising platform.

# Management Discussion and Analysis and Disclosure of Additional Information

## 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 Listing of Securities on the GEM of the Stock Exchange (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 2013 (six months ended 30 June 2012: 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, 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 2013 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 28 February 2011 (the "Listing Dates") 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, 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.

## DIRECTORS' INTERESTS IN COMPETING INTERESTS

For the six months ended 30 June 2013, 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 with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## 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 2013, 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 (the "Shares") of the Company**

| Name of director | Nature of interest | Number of Shares held | Approximate percentage of shareholding (%) |
|---|---|---|---|
| Mr. Lin Pintong | Interest of a controlled corporation | 265,500,000 ordinary Shares (Note 1) | 44.25 |
| Mr. Ruan Deqing | Interest of a controlled corporation | 265,500,000 ordinary Shares (Note 2) | 44.25 |
| Mr. Han Wenqian | Interest of a controlled corporation | 9,000,000 ordinary Shares (Note 3) | 1.50 |
| Mr. Wang Fuqing | Interest of a controlled corporation | 28,638,000 ordinary Shares (Note 4) | 4.77 |
| | Beneficial owner | 1,194,000 ordinary Shares | 0.20 |

Notes:

(1) These Shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the Shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.

(2) These Shares are registered in the name of Lizhong, 47.46% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.

(3) These Shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the Shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.

(4) These Shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), a former executive director who was re-designated as non-executive Director on 19 July 2013. 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 2013, 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 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.

## 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 2013, 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 |
| Ms. Chen Shuyu (Note 6) | Interest of a controlled corporation | 36,000,000 | 6.00 |
| Mr. Zhang Sheng (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 Ms. Chen Shuyu ("Ms. Chen"). Ms. Chen is deemed to be interested in all the Shares in which Smartisian Holdings is interested by virtue of the SFO. Mr. Zhang Sheng ("Mr. Zhang") is the spouse of Ms. Chen. Therefore, Mr. Zhang is deemed, or taken to be, interested in all Shares which Ms. Chen is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 30 June 2013, 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 of the Company (the "Audit Committee") was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and 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. As at 30 June 2013, the Audit Committee comprises Mr. Gao Xingbo ("Mr. Gao") (Chairman), Mr. Chen Shaofeng ("Mr. Chen") and Mr. Wang Jianqing ("Mr. Wang"). Mr. Gao and Mr. Chen are independent non-executive Directors and Mr. Wang is a non-executive Director.

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2013. 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.

## NON-COMPLIANCE WITH RULES 5.05(1) AND 5.05A OF THE GEM LISTING RULES

Reference is made to the announcement of the Company dated 2 July 2013 in relation to, among others, the resignation (the "Resignation") of Mr. Feng Bing as independent non-executive Director with effect from 30 June 2013 (the "Resignation Date"). Following the Resignation and as at the date of this Report, the Board had two independent non-executive Directors only, as such (i) the number of independent non-executive directors falls below the minimum number of three as required under Rule 5.05(1) of the GEM Listing Rules ; and (ii) the number of independent non-executive directors fails to represent at least one-third of the board as required under Rule 5.05A of the GEM Listing Rules.

The Company is still in the process of identifying and shall appoint a suitable candidate to fill up the vacancy of an independent non-executive Director as a result of the Resignation as soon as practicable and in any event within three months from the Resignation Date pursuant to Rule 5.06 of the GEM Listing Rules.

## DISCLOSURE PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

For the purpose of the establishment of a branch office by Hongkong Ao Shen Investment Co., Limited ("Aoshen Hong Kong"), a wholly owned subsidiary of the Company, in Milan, Italy, Mr. Ruan Deqing ("Mr. Ruan"), an executive Director, entered into a secondment agreement with Aoshen Hong Kong on 25 July 2013 for his acting as a director of Aoshen Hong Kong. Pursuant to the secondment agreement, Mr. Ruan shall be entitled to a monthly salary of €2,500, which is in addition to the remuneration entitled by him for his appointment as an executive Director of the Company.

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

Hong Kong, 12 August 2013

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

## 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 2013, together with the comparative unaudited figures for the corresponding period in 2012, are as follows:

| | Notes | Six months ended 30 June 2013 (unaudited) RMB'000 | Six months ended 30 June 2012 (unaudited) RMB'000 | Three months ended 30 June 2013 (unaudited) RMB'000 | Three months ended 30 June 2012 (unaudited) RMB'000 |
|---|---|---|---|---|---|
| REVENUE | 5 | **84,604** | 97,691 | **42,249** | 48,860 |
| Cost of sales | | **(35,558)** | (84,921) | **(17,143)** | (43,585) |
| Gross profit | | **49,046** | 12,770 | **25,106** | 5,275 |
| Other income and gains, net | 5 | **1,160** | 1,751 | **351** | 912 |
| Selling and distribution expenses | | **(21,895)** | (29,515) | **(8,760)** | (17,433) |
| Administrative expenses | | **(14,431)** | (12,735) | **(7,237)** | (7,460) |
| Other operating expenses | | **–** | (2,404) | **–** | (2,403) |
| Share of profits and losses of: | | | | | |
| A jointly-controlled entity | | **206** | (457) | **(36)** | (24) |
| Associates | | **(632)** | 36 | **(28)** | (167) |
| PROFIT/(LOSS) BEFORE TAX | 6 | **13,454** | (30,554) | **9,396** | (21,300) |
| Income tax | 7 | **(3,271)** | 7,684 | **(2,961)** | 5,059 |
| PROFIT/(LOSS) FOR THE PERIOD | | **10,183** | (22,870) | **6,435** | (16,241) |
| Attributable to: | | | | | |
| Owners of the Company | | **9,665** | (22,132) | **6,340** | (16,036) |
| Non-controlling interests | | **518** | (738) | **95** | (205) |
| | | **10,183** | (22,870) | **6,435** | (16,241) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 9 | | | | |
| Basic (cents) | | **1.61** | (3.69) | **(1.06)** | (2.68) |
| Diluted (cents) | | **1.61** | (3.69) | **(1.06)** | (2.68) |
| PROFIT/(LOSS) FOR THE PERIOD | | **10,183** | (22,870) | **6,435** | (16,241) |
| OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD: | | | | | |
| Exchange differences on translation of foreign operations | | **(3,702)** | 2,878 | **(949)** | (5,309) |
| TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD | | **6,481** | (19,992) | **5,486** | (21,550) |
| Attributable to: | | | | | |
| Owners of the Company | | **5,963** | (19,254) | **5,391** | (21,345) |
| Non-controlling interests | | **518** | (738) | **95** | (205) |
| | | **6,481** | (19,992) | **5,486** | (21,550) |

# Condensed Consolidated Statement of Financial Position

30 June 2013

| | Notes | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | **13,272** | 8,349 |
| Intangible assets | | **1,833** | 2,351 |
| Other non-current assets | | **20,440** | 21,080 |
| Investment in a jointly-controlled entity | | **780** | 573 |
| Investment in associates | | **9,121** | 8,049 |
| Available-for-sale investment | | **439** | 439 |
| Deposits | | **30,048** | 27,733 |
| Total non-current assets | | **75,933** | 68,574 |
| CURRENT ASSETS | | | |
| Trade receivables | 11 | **56,354** | 43,409 |
| Prepayments, deposits and other receivables | | **39,171** | 35,356 |
| Amounts due from directors | | **–** | 3,260 |
| Amount due from a shareholder | | **–** | 16,815 |
| Cash and cash equivalents | | **119,311** | 142,587 |
| Total current assets | | **214,836** | 241,427 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | **13,016** | 30,214 |
| Other payables and accruals | | **35,208** | 42,066 |
| Tax payable | | **702** | 2,294 |
| Total current liabilities | | **48,926** | 74,574 |
| NET CURRENT ASSETS | | **165,910** | 166,853 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **241,843** | 235,427 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | **499** | 564 |
| Net assets | | **241,344** | 234,863 |
| EQUITY | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 13 | **3,957** | 3,957 |
| Reserves | | **230,057** | 224,094 |
| | | **234,014** | 228,051 |
| Non-controlling interests | | **7,330** | 6,812 |
| Total equity | | **241,344** | 234,863 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

| | 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/ (accumulated loss) RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2012 (audited) | 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 (unaudited)** | 3,957 | 224,985 | – | 26,239 | 12,435 | 19 | (1,753) | 50,939 | 316,821 | 6,245 | 323,066 |
| At 1 January 2013 (audited) | **3,957** | **224,984** | **–** | **26,239** | **12,788** | **19** | **(5,545)** | **(34,391)** | **228,051** | **6,812** | **234,863** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **9,665** | **9,665** | **518** | **10,183** |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | **–** | **–** | **–** | **–** | **–** | **–** | **(3,702)** | **–** | **(3,702)** | **–** | **(3,702)** |
| Total comprehensive income/(loss) for the period | **–** | **–** | **–** | **–** | **–** | **–** | **(3,702)** | **9,665** | **5,963** | **518** | **6,481** |
| **At 30 June 2013 (unaudited)** | **3,957** | **224,984** | **–** | **26,239** | **12,788** | **19** | **(9,247)** | **(24,726)** | **234,014** | **7,330** | **241,344** |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 |
| Net cash used in operating activities | **(3,997)** | (42,471) |
| Net cash generated from/(used in) investing activities | **(5,227)** | 9,944 |
| Net cash used in financing activities | **–** | (3,259) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(9,224)** | (35,786) |
| Cash and cash equivalents at beginning of period | **132,237** | 200,500 |
| Effect of foreign exchange rate changes, net | **(3,702)** | 2,878 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **119,311** | 167,592 |

# 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.

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.

## 2.1 BASIS OF PREPARATION

These 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. These 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.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 June 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company's, 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of 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/(accumulated loss), as appropriate.

The condensed financial statements are unaudited but have been reviewed by the Audit Committee.

## 2.2 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 2013.

| | |
|---|---|
| IAS 1 Amendments | Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets Financial Liabilities* |
| IFRS 10 | *Consolidated Financial Statements* |
| IFRS 11 | *Joint Arrangements* |
| IFRS 12 | *Disclosure of Interests in Other Entities* |
| IFRS 10, IFRS 11 and IFRS 12 Amendments | Amendments to IFRS10, IFRS 11 and IFRS 12 — *Transition Guidance* |
| IFRS 13 | *Fair Value Measurement* |
| IFRIC 20 | *Stripping Costs in the Production Phase of a Surface Mine* |
| IAS 19 Amendments | Amendments to IAS 19 *Employee Benefits* |
| IAS 27 (Revised) | *Separate Financial Statements* |
| IAS 28 (Revised) | *Investments in Associates and Joint Ventures* |
| Annual Improvements 2009–2011 Cycle | Amendments to a number of IFRSs issued in May 2012 |

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

## 2.3 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.

| | |
|---|---|
| IFRS 9 | *Financial Instruments*[2] |
| IFRS 10, IFRS 12 and IAS 27 (2011) Amendments | Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — *Investment Entities*[1] |
| IAS 32 Amendments | Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1] |

1 effective for annual periods beginning on or after 1 January 2014
2 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. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. 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 2012.

## 4. 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.

| | Printed media advertising (unaudited) RMB'000 | Outdoor advertising (unaudited) RMB'000 | Audio advertising (unaudited) RMB'000 | Total (unaudited) RMB'000 |
|---|---|---|---|---|
| **For the six months ended 30 June 2013** | | | | |
| **Segment revenue:** | | | | |
| Sales to external customers | **56,701** | **27,545** | **358** | **84,604** |
| **Segment results** | **36,915** | **11,773** | **358** | **49,046** |
| *Reconciliation:* | | | | |
| Bank interest income | | | | **384** |
| Other unallocated income and gains, net | | | | **776** |
| Share of profits and losses of: | | | | |
| A jointly-controlled entity | | | | **206** |
| Associates | | | | **(632)** |
| Corporate and other unallocated expenses | | | | **(36,326)** |
| Profit before tax | | | | **13,454** |
| Income tax expense | | | | **(3,271)** |
| Profit for the period | | | | **10,183** |

## 4. OPERATING SEGMENT INFORMATION (continued)

| | Printed media Advertising (unaudited) RMB'000 | Outdoor Advertising (unaudited) RMB'000 | Audio Advertising (unaudited) RMB'000 | Total (unaudited) RMB'000 |
|---|---|---|---|---|
| **For the 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. 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:

| | Six months ended 30 June | | Three months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| **Revenue** | | | | |
| Printed media advertising income | **58,996** | 70,910 | **29,213** | 35,759 |
| Outdoor advertising income | **28,660** | 31,194 | **14,776** | 16,406 |
| Audio advertising income | **372** | 3,329 | **48** | 1,349 |
| | **88,028** | 105,433 | **44,037** | 53,514 |
| Less: Business tax | **(3,424)** | (7,742) | **(1,788)** | (4,654) |
| Total | **84,604** | 97,691 | **42,249** | 48,860 |
| **Other income and gains, net** | | | | |
| Bank interest income | **384** | 1,731 | **142** | 895 |
| Others | **776** | 20 | **209** | 17 |
| Total | **1,160** | 1,751 | **351** | 912 |

## 6. PROFIT/(LOSS) BEFORE TAX

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

| | Six months ended 30 June | | Three months ended 30 June | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Depreciation | **688** | 510 | **350** | 253 |
| Amortisation of intangible assets | **518** | 1,465 | **259** | 732 |
| Amortisation of other non-current asset | **640** | 696 | **320** | 348 |
| Impairment of trade receivables | **–** | 2,400 | **–** | 2,400 |
| Minimum lease payments under operating leases on land and buildings | **2,526** | 2,647 | **1,297** | 1,350 |
| Employee benefit expense (including directors' remuneration): | | | | |
| Wages and salaries | **25,681** | 30,619 | **14,446** | 16,461 |
| Pension scheme contributions* | **4,022** | 5,075 | **1,667** | 2,396 |
| | **29,703** | 35,694 | **16,113** | 18,857 |

* 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.

## 7. 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 2012: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rate, 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%.

| | **Six months ended 30 June** | | **Three months ended 30 June** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Current — Mainland China | | | | |
| Charge/(credit) for the period | **3,336** | (7,318) | **2,999** | (4,838) |
| Deferred | **(65)** | (366) | **(38)** | (221) |
| Total tax charge/(credit) for the period | **3,271** | (7,684) | **2,961** | (5,059) |

## 8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB9,665,000 (six months ended 30 June 2012: loss of RMB22,132,000) and the weighted average number of ordinary shares of 600,000,000 (six months ended 30 June 2012: 600,137,000) 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 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Net carrying amount at 1 January | **8,349** | 5,820 |
| Additions | **5,611** | 3,900 |
| Disposals | **(688)** | (1,371) |
| Net carrying amount at the period/year end | **13,272** | 8,349 |

## 11. TRADE RECEIVABLES

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Trade receivables | **94,190** | 81,245 |
| Less: impairment | **(37,836)** | (37,836) |
| | **56,354** | 43,409 |

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

As at 30 June 2013, an aged analysis of the trade receivables, based on the advertisement publication date, is as follows:

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Within 3 months | **31,828** | 33,608 |
| 3 to 6 months | **16,059** | 6,680 |
| 6 months to 1 year | **10,139** | 7,204 |
| Over 1 year | **36,164** | 33,753 |
| | **94,190** | 81,245 |

## 11. TRADE RECEIVABLES (continued)

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

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Neither past due nor impaired | **48,571** | 32,934 |
| Past due but not impaired: | | |
| Less than 3 months | **2,805** | 3,810 |
| More than 3 months | **4,078** | 5,765 |
| | **55,454** | 42,509 |

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.

## 12. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2013, based on the invoice date, is as follows:

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Within 3 months | **6,580** | 16,536 |
| 3 to 6 months | **657** | 5,543 |
| Over 6 months | **5,779** | 8,135 |
| | **13,016** | 30,214 |

## 13. SHARE CAPITAL

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Authorised: | | |
| 40,000,000 (31 December 2012: 40,000,000,000) ordinary shares of US$0.001 each | **263,672** | 263,672 |
| Issued and fully paid: | | |
| 600,000,000 (31 December 2012: 600,000,000) ordinary shares of US$0.001 each | **3,957** | 3,957 |

A summary of the movements in the Company's issued share capital during the period is as follows:

| | Note | Number of ordinary shares | Nominal value of ordinary shares RMB'000 |
|---|---|---|---|
| Issued: | | | |
| At 1 January 2012 | | 601,900,000 | 3,969 |
| Repurchase and cancellation of ordinary shares | (a) | (1,900,000) | (12) |
| At 30 June 2012, 31 December 2012, 1 January 2013 and 30 June 2013 | | 600,000,000 | 3,957 |

Note:

(a) During the six months 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. 1,900,000 repurchased ordinary shares, including 432,000 ordinary shares repurchased but not yet cancelled as at 31 December 2011 and 1,468,000 ordinary shares repurchased during the six months ended 30 June 2012, were cancelled during the six months ended 30 June 2012. The premium of approximately RMB1,021,000 including RMB808,000 paid on the repurchase of shares during the six months ended 30 June 2012, was debited to the share premium account and an amount of RMB12,000 was transferred from accumulated losses of the Company to the capital redemption reserve.

## 14. 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 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 30 June 2013 (unaudited) RMB'000 | 31 December 2012 (audited) RMB'000 |
|---|---|---|
| Within 1 year | **1,347** | 2,513 |
| After 1 year but within 5 years | **576** | 913 |
| | **1,923** | 3,426 |

## 15. RELATED PARTY TRANSACTIONS

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

| | | Six months ended 30 June | | Three months ended 30 June | |
|---|---|---|---|---|---|
| | Notes | 2013 (unaudited) RMB'000 | 2012 (unaudited) RMB'000 | 2013 (unaudited) RMB'000 | 2012 (unaudited) RMB'000 |
| Advertising agency fee to an associate | (a) | – | 1,533 | – | 587 |
| Advertising agency fee to a non-controlling shareholder of a subsidiary | (b) | – | 1,100 | – | 550 |
| Printing expenses reimbursed to a non-controlling shareholder of a subsidiary | (c) | **250** | 4,567 | **125** | 2,138 |

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 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 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.