



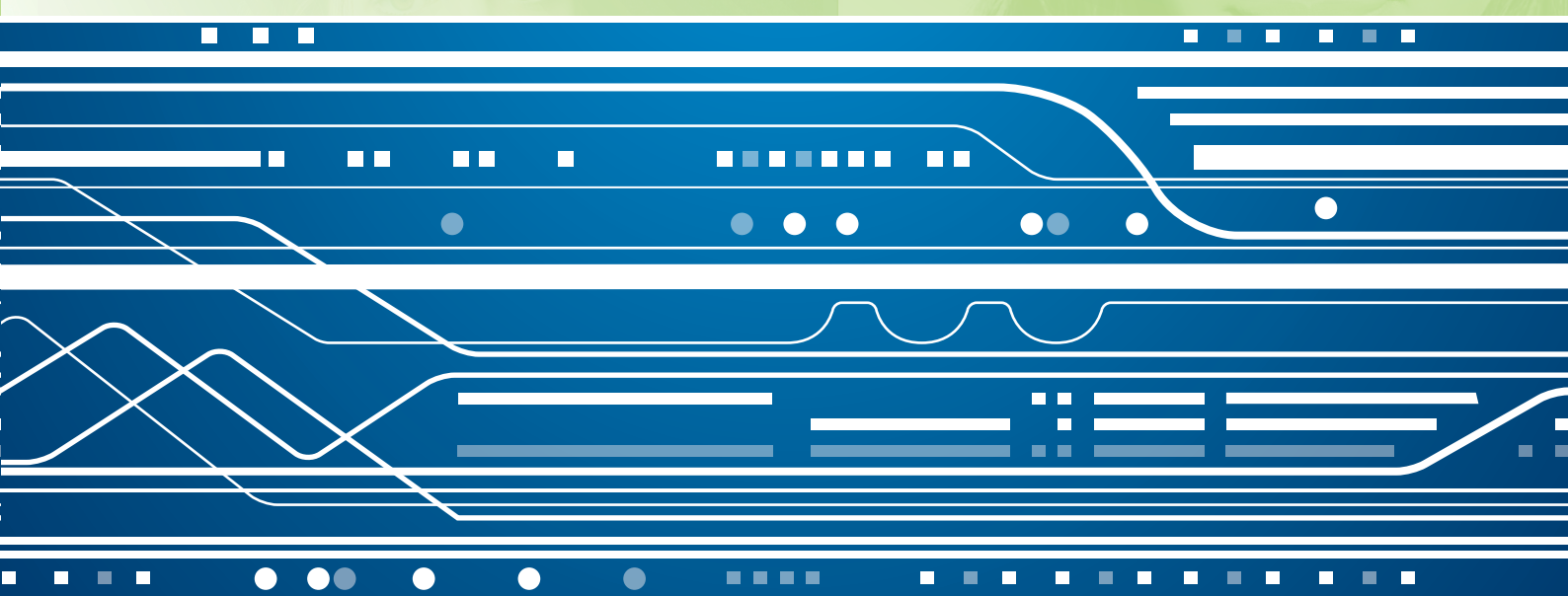
CHINA 33 MEDIA GROUP LIMITED 中國三三傳媒集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8087



2014

First Quarterly 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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Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2014

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2014, together with the comparative unaudited figures for the corresponding period in 2013, are as follows:

	Notes	Three months ended 31 March	
		2014 (unaudited) RMB'000	2013 (unaudited) RMB'000
REVENUE	5	27,758	42,355
Cost of sales		(23,889)	(18,415)
Gross profit		3,869	23,940
Other income and gains, net		526	809
Selling and distribution expenses		(10,899)	(13,135)
Administrative expenses		(9,327)	(7,194)
Share of profits and losses of:			
A joint venture		(739)	242
Associates		(122)	(604)
PROFIT/(LOSS) BEFORE TAX		(16,692)	4,058
Income tax credit/(expense)	6	137	(310)
PROFIT/(LOSS) FOR THE PERIOD		(16,555)	3,748
Attributable to:			
Owners of the Company		(16,322)	3,325
Non-controlling interests		(233)	423
		(16,555)	3,748
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic (cents)		(RMB2.72)	RMB0.55
Diluted (cents)		(RMB2.72)	RMB0.55
PROFIT/(LOSS) FOR THE PERIOD		(16,555)	3,748
OTHER COMPREHENSIVE LOSS FOR THE PERIOD:			
Exchange differences on translation of foreign operations		(1,618)	(2,753)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(18,173)	995
Attributable to:			
Owners of the Company		(17,940)	572
Non-controlling interests		(233)	423
		(18,173)	995

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2014

	Attributable to owners of the Company									
	Issued capital	Share premium account	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	-	-	-	-	-	-	3,325	3,325	423	3,748
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,753)	-	(2,753)	-	(2,753)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(2,753)	3,325	572	423	995
At 31 March 2013 (unaudited)	3,957	224,984	26,239	12,788	19	(8,298)	(31,066)	228,623	7,235	235,858
At 1 January 2014 (audited)	3,957	224,984	26,239	12,980	19	(5,678)	(60,607)	201,894	3,712	205,606
Loss for the period	-	-	-	-	-	-	(16,322)	(16,322)	(233)	(16,555)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,618)	-	(1,618)	-	(1,618)
Total comprehensive loss for the period	-	-	-	-	-	(1,618)	(16,322)	(17,940)	(233)	(18,173)
At 31 March 2014 (unaudited)	3,957	224,984	26,239	12,980	19	(7,296)	(76,929)	183,954	3,479	187,433



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 905-906, Tower 2, China Hong Kong City, 33 Canon Road, Tsimshatsui, Kowloon, 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. 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 31 March 2014. The 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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 2013.

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 2014. 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.

	Three months ended	
	31 March	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Printed media advertising	20,569	28,676
Outdoor advertising	7,189	13,368
Audio advertising	–	311
	27,758	42,355

Notes to the Condensed Consolidated Financial Statements

5. REVENUE AND 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 three months ended 31 March 2014				
Segment revenue:				
Sales to external customers	20,569	7,189	–	27,758
Segment results	3,764	105	–	3,869
<i>Reconciliation:</i>				
Bank interest income				38
Other unallocated income and gains, net				488
Share of profits and losses of:				
A joint venture				(739)
Associates				(122)
Corporate and other unallocated expenses				(20,226)
Loss before tax				(16,692)
Income tax credit				137
Loss for the period				(16,555)

Notes to the Condensed Consolidated Financial Statements

5. REVENUE AND 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 three months ended				
31 March 2013				
Segment revenue:				
Sales to external customers	28,676	13,368	311	42,355
Segment results	17,742	5,887	311	23,940
<i>Reconciliation:</i>				
Bank interest income				242
Other unallocated income and gains, net				567
Share of profits and losses of:				
A joint venture				242
Associates				(604)
Corporate and other unallocated expenses				(20,329)
Profit before tax				4,058
Income tax expense				(310)
Profit for the period				3,748

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 three months ended 31 March 2014 (three months ended 31 March 2013: 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 three months ended 31 March 2014 (three months ended 31 March 2013: Nil).



Notes to the Condensed Consolidated Financial Statements

7. DIVIDENDS

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the three months ended 31 March 2014 attributable to owners of the Company of RMB16,322,000 (three months ended 31 March 2013: profit of RMB3,325,000) and the weighted average number of ordinary shares of 600,000,000 (three months ended 31 March 2013: 600,000,000) in issue during the three months ended 31 March 2014.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the three months ended 31 March 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those periods.

Management Discussion and Analysis

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising and outdoor advertising. The Group's total revenue for the three months ended 31 March 2014 amounted to approximately RMB27,758,000, representing a decrease of approximately RMB14,597,000 or 34.5% as compared to approximately RMB42,355,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB20,071,000 or 83.8% to approximately RMB3,869,000 for the three months ended 31 March 2014 from approximately RMB23,940,000 for the corresponding period last year. The gross profit margin for the current period decreased to 13.9% from 56.5% in the corresponding period last year. The total comprehensive loss for the period attributable to owners of the Company amounted to approximately RMB17,940,000, while it recorded a total comprehensive income attributable to the owners of the Company amounted to approximately RMB572,000 for the corresponding period last year.

REVIEW BY SEGMENT

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

	Revenue			Gross profit			Gross profit margin		
	Three months ended			Three months ended			Three months ended		
	31 March			31 March			31 March		
	2014	2013	Change %	2014	2013	Change %	2014	2013	Change %
(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	%	
Printed media advertising	20,569	28,676	(28.3)	3,764	17,742	(78.8)	18.3	61.9	
Outdoor advertising	7,189	13,368	(46.2)	105	5,887	(98.2)	1.5	44.0	
Audio advertising	-	311	(100.0)	-	311	(100.0)	-	100.0	
Total	27,758	42,355	(34.5)	3,869	23,940	(83.8)	13.9	56.5	

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue of the Group for the three months ended 31 March 2014, representing approximately 74.1% thereof. It is expected that printed media advertising would 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 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 74.9% of the Group's total revenue from printed media advertising.



Management Discussion and Analysis

Revenue from printed media advertising decreased by approximately RMB8,107,000 or 28.3% from approximately RMB28,676,000 for the three months ended 31 March 2013 to approximately RMB20,569,000 for the three months ended 31 March 2014. The decrease was mainly due to the significant decrease of the number of advertising customers of the periodical, namely “旅伴” (Fellow Traveller), as those customers had not renewed their contract upon the expiry of the then contract period by December 2013. The above was offset by the increase of revenue from two periodicals, namely “都市生活” (City Life) and “上海鐵道” (Shanghai Railway) as a result of their commencement of publication in mid 2013.

Gross profit from printed media advertising for the three months ended 31 March 2014 amounted to approximately RMB3,764,000, representing a decrease of approximately 78.8% as compared to the corresponding period last year, which was approximately RMB17,742,000. Gross profit margin of printed media advertising decreased from approximately 61.9% for the three months ended 31 March 2013 to approximately 18.3% for the three months ended 31 March 2014. The decrease in gross profit and gross profit margin was mainly attributable to the decrease of revenue from “旅伴” (Fellow Traveller) and the increase of agency fee due to the commencement of publication of “都市生活” (City Life) and “上海鐵道” (Shanghai Railway) in mid 2013.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from sales of advertising spaces on the air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations. Revenue from outdoor media advertising decreased by approximately RMB6,179,000 or 46.2% from approximately RMB13,368,000 for the three months ended 31 March 2013 to approximately RMB7,189,000 for the three months ended 31 March 2014. The decrease was mainly due to the decrease of billboards and LEDs advertising at train stations as those customers had not renewed their contract upon the expiry of the then contract period by December 2013.

Gross profit from outdoor advertising for the three months ended 31 March 2014 amounted to approximately RMB105,000, representing a decrease of approximately 98.2% as compared to the corresponding period last year, which was approximately RMB5,887,000. Gross profit margin of outdoor advertising decreased from approximately 44.0% for the three months ended 31 March 2013 to approximately 1.5% for the three months ended 31 March 2014. The decrease in gross profit and gross profit margin was mainly attributable to the decrease of revenue from billboards and LEDs advertising and the increase of agency fee as a result of the installation of more billboards and LEDs advertising spaces at more train stations in operation.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities.



Management Discussion and Analysis

PROSPECTS

Looking ahead, the Group will endeavor to maintain the growth of its existing businesses and expand into diversified new businesses. 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 be instrumental to the Group's sustainable growth in the development of advertising business on the railway network in China. Moreover, the Group will continue to establish sales offices in different cities in the PRC to expand its sales network, as well as to strengthen its sales and advertising teams.

As part of the Group's diversified business development strategy, the Group entered into the cooperation agreement with Beijing Ouguan Business Service Limited ("Beijing Ouguan"), which engages in media production, in September 2013, for the joint investment, production, marketing and distribution of a movie. Pursuant to the cooperation agreement, the Group and Beijing Ouguan shall each invest RMB30 million, with a total investment amount of RMB60 million. Through engaging in movie business, the Group can expand its business platform and expose itself to a wider scope of potential clients with the rapid development of movie industry. The Group believes that the movie together with its ancillary products and marketing activities would provide more advertising channels, and bring additional revenue and business to the Group.

In order to expand into advertising business related 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.

Looking ahead, the Group will continue to leverage the its competitive advantages in seeking potential of mergers and acquisitions so as to achieve growth from synergy in operations and to develop a more diversified advertising platform.

CORPORATE GOVERNANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2014, 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 in GEM Listing Rules) that compete 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 three months ended 31 March 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 31 March 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary Shares of the Company

Name of director	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong	Interest of a controlled corporation	265,500,000 ordinary Shares (Note 1)	44.25
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	45,738,000 ordinary Shares (Note 4)	7.62
	Beneficial owner	1,194,000 ordinary Shares	0.20

Notes:

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

Save as disclosed above, as at 31 March 2014, 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.

Management Discussion and Analysis

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

So far as is known to the Directors, as at 31 March 2014, 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	265,000,000	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
Ms. Zhu Yan (Note 6)	Interest of spouse	46,932,000	7.82
Make Sense	Beneficial owner	45,738,000	7.62
Smartisian Holdings Company Ltd. (Note 7)	Beneficial owner	36,000,000	6.00
Ms. Chen Shuyu (Note 7)	Interest of a controlled corporation	36,000,000	6.00
Mr. Zhang Sheng (Note 7)	Interest of spouse	36,000,000	6.00

Notes:

- (1) These Shares were registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong was owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal was deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong were Mr. Lin, Mr. Ruan and Mr. Han.

Management Discussion and Analysis

- (2) Ms. Pan Xiaoying (“Ms. Pan”) was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Lin was deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin (“Ms. Liu”) was the spouse of Mr. Ruan. Therefore, Ms. Liu was deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Ruan was deemed, or taken to be interested in for the purposes of the SFO.
- (4) Among these Shares, Sequedge Finance Inc. (“Sequedge Finance”) was the beneficial owner of 29,185,701 Shares and Sequedge ASA Capital (Cayman) II Limited (“Sequedge Capital”) was the beneficial owner of 20,176,299 Shares. Mr. Kazunari Shirai (“Mr. Kazunari”) was 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”) was the spouse of Mr. Kazunari. Therefore, Ms. Junko was deemed, or taken to be, interested in all Shares which Mr. Kazunari was deemed, or taken to be interested in for the purposes of the SFO.
- (6) Among these Shares, Make Sense was the beneficial owner of 45,738,000 Shares and Mr. Wang was the beneficial owner of 1,194,000 Shares. The entire issued share capital of Make Sense was owned by Mr. Wang. Ms. Zhu Yan (“Ms. Zhu”) was the spouse of Mr. Wang. Therefore, Ms. Zhu was deemed, or taken to be, interested in all Shares which Mr. Wang was deemed, or taken to be interested in for the purposes of the SFO.
- (7) These Shares were registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. (“Smartisian Holdings”), the entire issued share capital of which was owned by Ms. Chen Shuyu (“Ms. Chen”). Ms. Chen was deemed to be interested in all the Shares in which Smartisian Holdings was interested by virtue of the SFO. Mr. Zhang Sheng (“Mr. Zhang”) was the spouse of Ms. Chen. Mr. Zhang was deemed, or taken to be, interested in all Shares which Ms. Chen was deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 31 March 2014, 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 had 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.



Management Discussion and Analysis

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. As at the date of this report, the Audit Committee has three members, namely Ms. Tay Sheve Li (Chairperson), Mr. Gao Xingbo and Mr. Chen Shaofeng, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2014. 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
Ruan Deqing
Chairman and Executive Director

Hong Kong, 12 May 2014

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Lin Pintong and Mr. Han Wenqian; the non-executive Directors are Mr. Wang Fuqing and Mr. Wang Jianqing and the independent non-executive Directors are Mr. Gao Xingbo, Mr. Chen Shaofeng and Ms. Tay Sheve Li.