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
INTERIM REPORT

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

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CORPORATE INFORMATION

DIRECTORS

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

Non-Executive Directors
Mr. Wang Fuqing
Mr. Wang Jianqing

Independent Non-Executive Directors
Mr. Gao Xingbo (retired on 15 May 2014)
Mr. Chen Shaofeng
Ms. Tay Sheve Li
Mr. Su Naimin (appointed on 15 May 2014)
Mr. Teng Tai (appointed on 3 June 2014)

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

AUTHORISED REPRESENTATIVES

Mr. Lee Man Tai (resigned on 31 May 2014)
Mr. Ruan Deqing
Mr. Siu Shing Tak (appointed on 31 May 2014)

COMPANY SECRETARY

Mr. Lee Man Tai (resigned on 31 May 2014)
Mr. Siu Shing Tak (appointed on 31 May 2014)

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li *(Chairman)*
Mr. Su Naimin (appointed on 15 May 2014)
Mr. Chen Shaofeng
Mr. Gao Xingbo (retired on 15 May 2014)

REMUNERATION COMMITTEE MEMBERS

Mr. Gao Xingbo *(Chairman)* (retired on 15 May 2014)
Mr. Su Naimin *(Chairman)* (appointed on 15 May 2014)
Mr. Ruan Deqing
Mr. Chen Shaofeng

NOMINATION COMMITTEE MEMBERS

Mr. Chen Shaofeng *(Chairman)*
Mr. Lin Pintong
Mr. Su Naimin (appointed on 15 May 2014)
Mr. Gao Xingbo (retired on 15 May 2014)

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

12th Floor, Block B, Yonggui Centre
41 Guangqumennei Main Street
Dongcheng District, Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 905–906, Tower 2
China Hong Kong City
33 Canon Road, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

http://www.china33media.com

STOCK CODE

8087

BUSINESS REVIEW

The principal business of the Company and its subsidiaries (collectively, the "Group") during the period under review included printed media advertising and outdoor advertising. The Group's total revenue for the six months ended 30 June 2014 amounted to approximately RMB53,299,000, representing a decrease of approximately RMB31,305,000 or 37.0% as compared to approximately RMB84,604,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB39,600,000 or 80.7% to approximately RMB9,446,000 for the six months ended 30 June 2014 from approximately RMB49,046,000 for the corresponding period last year. The gross profit margin for the current period decreased to approximately 17.7% from approximately 58.0% in the corresponding period last year. The Group recorded a total comprehensive loss attributable to owners of the Company for the period amounted to approximately RMB25,061,000 while it recorded a total comprehensive income attributable to owners of the Company amounted to approximately RMB5,963,000 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	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	Change %	**2014 (unaudited) RMB'000**	2013 (unaudited) RMB'000	Change %	**2014 (unaudited) %**	2013 (unaudited) %
Printed media advertising	**42,004**	56,701	(25.9)	**11,094**	36,915	(69.9)	**26.4**	65.1
Outdoor advertising	**11,295**	27,545	(59.0)	**(1,648)**	11,773	(114.0)	**(14.6)**	42.7
Audio advertising	**–**	358	(100.0)	**–**	358	(100.0)	**–**	100.0
Total	**53,299**	84,604	(37.0)	**9,446**	49,046	(80.7)	**17.7**	58.0

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue, representing approximately 78.8% of the Group's total revenue for the six months ended 30 June 2014. It is expected to remain as the principal source of income 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 74.7% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB14,697,000 or 25.9% from approximately RMB56,701,000 for the six months ended 30 June 2013 to approximately RMB42,004,000 for the six months ended 30 June 2014. The decrease was mainly due to the significant decrease of the number of advertising customers of "旅伴" (Fellow Traveller). However, the decrease was offset by the increase of revenue from two periodicals, namely "都市生活" (City Life) and "上海鐵道" (Shanghai Railway) which commenced publication in mid 2013.

Gross profit from printed media advertising for the six months ended 30 June 2014 amounted to approximately RMB11,094,000, representing a decrease of approximately 69.9% as compared to the corresponding period last year, which was approximately RMB36,915,000. Gross profit margin of printed media advertising decreased from approximately 65.1% for the six months ended 30 June 2013 to approximately 26.4% for the six months ended 30 June 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 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 RMB16,250,000 or 59.0% from approximately RMB27,545,000 for the six months ended 30 June 2013 to approximately RMB11,295,000 for the six months ended 30 June 2014. The decrease was mainly due to the decrease of revenue from 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 loss from outdoor advertising for the six months ended 30 June 2014 amounted to approximately RMB1,648,000 while it recorded gross profit of approximately RMB11,773,000 for the corresponding period last year. Gross loss margin of outdoor advertising was 14.6% for the six months ended 30 June 2014 as compared to a gross profit margin of 42.7% for the six months ended 30 June 2013. 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.

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. There was no more revenue from audio advertising for the period under review due to the phase-out of this business following the expiry of the then existing advertising contracts with customers by March 2013, while it recorded approximately RMB358,000 for the six months ended 30 June 2013 with gross profit margin of 100%.

Cost of Sales

Cost of sales increased from approximately RMB35,558,000 for the six months ended 30 June 2013 to approximately RMB43,853,000 for the current period, representing an increase of approximately 23.3%. The increase in cost of sales was mainly attributable to the agency fee and printing costs of two new periodicals which commenced publication in 2013, namely "上海鐵道" (Shanghai Railway) on 3 April 2013 and "都市生活" (City Life) on 13 May 2013.

Other Income and Gains, Net

Other income and gains, net decreased from approximately RMB1,160,000 gain for the six months ended 30 June 2013 to approximately RMB528,000 in the current period, mainly due to the loss of disposal of associate, namely Beijing Zi Yun Fu Culture Media Co, Ltd.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 16.4% from approximately RMB21,895,000 for the six months ended 30 June 2013 to approximately RMB18,296,000 for the current period, primarily due to the decrease in sales commission.

Administrative Expenses

Administrative expenses increased by approximately 26.5% from approximately RMB14,431,000 for the six months ended 30 June 2013 to approximately RMB18,259,000 for the current period, primarily due to the increase in salary and rental expense.

Income Tax

There was an income tax credit of approximately RMB2,779,000 for the six months ended 30 June 2014 as compared to income tax expense of approximately RMB3,271,000 resulting from profit for the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2014, 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 RMB91,400,000, representing a net decrease of approximately RMB24,409,000 as compared to the position as at 31 December 2013.

As at 30 June 2014, the current ratio was 2.06 at 31 December 2013: 2.86) and gearing ratio of the Group was 0.04 (as at 31 December 2013: (0.34)) 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 its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 2014, the Group has no assets pledged for bank borrowings or for other purpose (as at 31 December 2013: nil).

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (as at 31 December 2013: nil).

Capital Commitments

As at 30 June 2014, 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 loss attributable to the owners of the Company for the six months ended 30 June 2014 amounted to approximately RMB25,061,000 as compared to total comprehensive income of approximately RMB5,963,000 in the corresponding period last year. Net loss margin of the Group for the six months ended 30 June 2014 was approximately 45.2% as compared to net profit margin of approximately 12.0% for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Capital Structure

During the period under review, the Group had net assets of approximately RMB180,138,000 (31 December 2013: approximately RMB205,606,000), comprising non-current assets of approximately RMB89,272,000 (31 December 2013: approximately RMB81,603,000), and current assets of approximately RMB176,793,000 (31 December 2013: approximately RMB190,788,000). The Group recorded a net current asset position of approximately RMB90,924,000 (31 December 2013: approximately RMB124,075,000), which primarily consists of cash and bank equivalents amounted to approximately RMB91,400,000 (31 December 2013: approximately RMB115,809,000), trade receivables amounted to approximately RMB40,988,000 (31 December 2013: approximately RMB40,603,000) and prepayments, deposits and other receivables amounted to approximately RMB44,405,000 (31 December 2013: approximately RMB34,376,000). Major current liabilities are other payables and accruals and trade payables amounted to approximately RMB56,182,000 (31 December 2013: approximately RMB31,896,000) and approximately RMB28,817,000 (31 December 2013: approximately RMB30,023,000), respectively. The Group had no bank borrowings as at 30 June 2014.

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 2014, the Group had a total of 404 employees (as at 30 June 2013: 452 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 RMB20,650,000 (six months ended 30 June 2013: RMB29,703,000).

Material Acquisition and Disposal

During the period under review, the Group disposed of its equity interest in an associate to an independent third party at a consideration of RMB2,949,000.

Net assets disposal of:	
Investment in associate	3,531,000
Loss on disposal of an associate	(582,000)
	2,949,000

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, the Group will also increase the number of route-specific supplements of its printed media, which will be instrumental in 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 the sales and advertising teams.

In September 2013, as part of its diversified business development strategy, the Group entered into the cooperation agreement with Beijing Ouguan Business Service Limited ("Beijing Ouguan"), which engages in media production, 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 amid the rapid development of movie industry in China. The Group believes that the movie together with its ancillary products and marketing activities will 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 "Geographic China", one of the programmes of CCTV's Science & Education Channel (CCTV-10). The directors of the Company (the "Directors") consider that this cooperation will further expand the Group's advertising platforms and customer base, and this new business is expected to attract high-end advertising customers and generate substantial revenue for the Group in the coming years.

Looking ahead, the Group will continue to focus on organic growth derived from its existing business segment and leverage on its competitive advantages in seeking potential opportunity of mergers and acquisitions so as to benefit 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, 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 the period under review.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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.

DIRECTORS' INTERESTS IN COMPETING INTERESTS

For the six months ended 30 June 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 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 2014, 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 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 meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company (the "Shares")

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:

(1) 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.

(2) 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.

(3) 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.

(4) 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 30 June 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 or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules.

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 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	265,500,000	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
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.

(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. Therefore, 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 30 June 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 2014, the Audit Committee comprises Ms. Tay Sheve Li (Chairman), Mr. Su Naimin and Mr. Chen Shaofeng, all being independent non-executive directors.

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 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, 14 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

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 2014, together with the comparative unaudited figures for the corresponding period in 2013, are as follows:

	Notes	Six months ended 30 June 2014 (unaudited) RMB'000	Six months ended 30 June 2013 (unaudited) RMB'000	Three months ended 30 June 2014 (unaudited) RMB'000	Three months ended 30 June 2013 (unaudited) RMB'000
REVENUE	5	**53,299**	84,604	**25,541**	42,249
Cost of sales		**(43,853)**	(35,558)	**(19,964)**	(17,143)
Gross profit		**9,446**	49,046	**5,577**	25,106
Other income and gains, net	5	**528**	1,160	**2**	351
Selling and distribution expenses		**(18,296)**	(21,895)	**(7,397)**	(8,760)
Administrative expenses		**(18,259)**	(14,431)	**(8,932)**	(7,237)
Other operating income		**477**	–	**477**	–
Share of profits and losses of:					
A joint venture		**(592)**	206	**147**	(36)
Associates		**(167)**	(632)	**(45)**	(28)
(LOSS)/PROFIT BEFORE TAX	6	**(26,863)**	13,454	**(10,171)**	9,396
Income tax credit/(expense)	7	**2,779**	(3,271)	**2,642**	(2,961)
(LOSS)/PROFIT FOR THE PERIOD		**(24,084)**	10,183	**(7,529)**	6,435
Attributable to:					
Owners of the Company		**(23,677)**	9,665	**(7,355)**	6,340
Non-controlling interests		**(407)**	518	**(174)**	95
		(24,084)	10,183	**(7,529)**	6,435
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9				
Basic (cents)		**(3.95)**	1.61	**(1.23)**	(1.06)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June		Three months ended 30 June	
		2014	2013	**2014**	2013
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
(LOSS)/PROFIT FOR THE PERIOD		**(24,084)**	10,183	**(7,529)**	6,435
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD:					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(1,384)**	(3,702)	**234**	(949)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(25,468)**	6,481	**(7,295)**	5,486
Attributable to:					
Owners of the Company		**(25,061)**	5,963	**(7,121)**	5,391
Non-controlling interests		**(407)**	518	**(174)**	95
		(25,468)	6,481	**(7,295)**	5,486

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**7,688**	7,330
Intangible assets		**329**	384
Other non-current assets		**16,915**	19,251
Investment in a joint venture		**958**	1,550
Investment in associates		**5,991**	9,689
Available-for-sale investment		**439**	439
Deposits		**53,006**	42,960
Deferred tax asset		**3,946**	–
Total non-current assets		**89,272**	81,603
CURRENT ASSETS			
Trade receivables	11	**40,988**	40,603
Prepayments, deposits and other receivables		**44,405**	34,376
Cash and cash equivalents		**91,400**	115,809
Total current assets		**176,793**	190,788
CURRENT LIABILITIES			
Trade payables	12	**56,182**	31,896
Other payables and accruals		**28,817**	30,023
Amount due to an associate		**350**	2,950
Tax payable		**520**	1,844
Total current liabilities		**85,869**	66,713
NET CURRENT ASSETS		**90,924**	124,075
TOTAL ASSETS LESS CURRENT LIABILITIES		**180,196**	205,678
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**58**	72
Net assets		**180,138**	205,606
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**3,957**	3,957
Reserves		**172,876**	197,937
		176,833	201,894
Non-controlling interests		**3,305**	3,712
Total equity		**180,138**	205,606

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium account 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 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 loss for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(3,702)	–	(3,702)	–	(3,702)
Total comprehensive (loss)/income 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
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	**–**	**–**	**–**	**–**	**–**	**–**	**(23,677)**	**(23,677)**	**(407)**	**(24,084)**
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,384)**	**–**	**(1,384)**	**–**	**(1,384)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(1,384)**	**(23,677)**	**(25,061)**	**(407)**	**(25,468)**
At 30 June 2014 (unaudited)	**3,957**	**224,984**	**26,239**	**12,980**	**19**	**(7,062)**	**(84,284)**	**(176,833)**	**(3,305)**	**(180,138)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	**(10,286)**	(3,997)
Net cash used in investing activities	**(2,389)**	(5,227)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(12,675)**	(9,224)
Cash and cash equivalents at beginning of period	**105,459**	132,237
Effect of foreign exchange rate changes, net	**(1,384)**	(3,702)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**91,400**	119,311

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 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 outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as well the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of the Hong Kong Limited (the "GEM Rules"). 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 condensed 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 2014. 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.

3. PRINCIPAL ACCOUNTING POLICY

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

Application of new interpretation and amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group applied for the first time the following new Interpretation and amendments to IFRSs issued by IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Investment Entities
IAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
IAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the above new Interpretation and amendments IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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[1]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[6]
IFRS 9 and IFRS 7 Amendments	Mandatory Effective Date of IFRS 9 and Transaction Disclosures[1]
IFRS 11 Amendments	Accounting for Acquisition of Interest in Joint Operations[5]
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plants[5]
IAS 19 Amendments	Defined Benefit Plans: Employee Contributions[2]
IFRSs Amendments	Annual Improvements to IFRSs 2010-2012 Cycle[3]
IFRSs Amendments	Annual Improvements to IFRSs 2011-2013 Cycle[2]

1 Available for application — the mandatory effective date will be determined when the outstanding phases IFRS 9 are finalised

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

4 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 January 2017

The directors of the Company (the "Directors") anticipates that the application of these new and revised IFRSs will have no material impact on the condensed consolidated financial statements of the Group.

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 2014				
Segment revenue:				
Sales to external customers	**42,004**	**11,295**	**–**	**53,299**
Segment results	**11,094**	**(1,648)**	**–**	**9,446**
Reconciliation:				
Bank interest income				**65**
Other unallocated income and gains, net				**463**
Share of profits and losses of:				
A joint venture				**(592)**
Associates				**(167)**
Corporate and other unallocated expenses				**(36,078)**
Loss before tax				**(26,863)**

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 2013				
Segment revenue:				
Sales to external customers	56,701	27,545	358	84,604
Segment results	36,915	11,773	358	49,046
Reconciliation:				
Interest income				384
Other unallocated income and gains, net				776
Share of profits and losses of:				
A joint venture				206
An associate				(632)
Corporate and other unallocated expenses				(36,326)
Profit before tax				13,454

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	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	**2014 (unaudited) RMB'000**	2013 (unaudited) RMB'000
Revenue				
Printed media advertising income	**42,959**	58,996	**21,846**	29,213
Outdoor advertising income	**11,552**	28,660	**4,287**	14,776
Audio advertising income	**–**	372	**–**	48
	54,511	88,028	**26,133**	44,037
Less: Business tax	**(1,212)**	(3,424)	**(592)**	(1,788)
Total	**53,299**	84,604	**25,541**	42,249
Other income and gains, net				
Bank interest income	**65**	384	**27**	142
Others	**463**	776	**(25)**	209
Total	**528**	1,160	**2**	351

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June		Three months ended 30 June	
	2014	2013	**2014**	2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Depreciation	**581**	688	**322**	350
Amortisation of intangible assets	**55**	518	**27**	229
Amortisation of other non-current asset	**2,560**	640	**1,280**	320
Minimum lease payments under operating leases on land and buildings	**2,910**	2,526	**1,433**	1,297
Employee benefit expense (including directors' remuneration):				
Wages and salaries	**18,513**	25,681	**8,038**	14,446
Pension scheme contributions*	**2,137**	4,022	**1,026**	1,667
	20,650	29,703	**9,064**	16,113

* 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 2013: 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	
	2014	2013	**2014**	2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current — Mainland China				
Charge for the period	**1,181**	3,336	**1,253**	2,999
Deferred tax credit	**(3,960)**	(65)	**(3,895)**	(38)
Total tax (credit)/charge for the period	**(2,779)**	3,271	**(2,642)**	2,961

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

The calculation of basic earnings per share is based on the loss for the period attributable to owners of the Company of RMB23,677,000 (six months ended 30 June 2013: profit of RMB9,665,000) and the weighted average number of ordinary shares of 600,000,000 (six months ended 30 June 2013: 600,000,000) in issue during the period.

No diluted (loss)/earnings per share is presented for the periods ended 30 June 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Net carrying amount at 1 January	**7,330**	8,349
Additions	**1,044**	1,404
Disposals	**(686)**	(2,423)
Net carrying amount at the period/year end	**7,688**	7,330

11. TRADE RECEIVABLES

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Trade receivables	**69,259**	68,874
Less: provision for impairment	**(28,271)**	(28,271)
	40,988	40,603

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

11. TRADE RECEIVABLES (continued)

As at 30 June 2014, an aged analysis of the trade receivables, based on the advertisement publication date, is as follows:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Within 3 months	**14,043**	19,469
3 to 6 months	**7,984**	11,586
6 months to 1 year	**13,944**	4,501
Over 1 year	**33,288**	33,318
	69,259	68,874

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

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Neither past due nor impaired	**13,983**	18,860
Past due but not impaired:		
Less than 3 months	**7,655**	11,481
More than 3 months	**12,670**	8,124
	34,308	38,465

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 2014, based on the invoice date, is as follows:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Within 3 months	**13,023**	14,987
3 to 6 months	**12,510**	3,033
Over 6 months	**30,649**	13,876
	56,182	31,896

13. SHARE CAPITAL

	Number of share	**Share Capital** RMB'000
Authorised:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
Ordinary shares of US$0.001 each	40,000,000,000	263,672
Issued and fully paid:		
As at 1 January 2013, 30 June 2013, 1 January 2014 and 30 June 2014		
Ordinary shares of US$0.001 each	600,000,000	3,957

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 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Within 1 year	**5,350**	5,329
After 1 year but within 5 years	**9,104**	6,240
	14,454	11,569

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had the following commitments at the end of the reporting period:

	30 June 2014 (unaudited) RMB'000	31 December 2013 (audited) RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	**64,913**	83,436
Investment in a movie	**20,000**	20,000
	84,913	103,436

At the end of the reporting period, the Company did not have any significant commitments (31 December 2013: Nil).

16. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June 2014 (unaudited) RMB'000	Six months ended 30 June 2013 (unaudited) RMB'000	Three months ended 30 June 2014 (unaudited) RMB'000	Three months ended 30 June 2013 (unaudited) RMB'000
Printing expenses reimbursed to a non-controlling shareholder of a subsidiary	(a)	–	250	–	125

Notes:

(a) 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.

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