



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

2015

Third 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report. This report for which the directors (the “Directors”) of China 33 Media Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

THIRD QUARTERLY RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the nine months and three months ended 30 September 2015, together with the comparative unaudited figures for the corresponding periods in 2014, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Continuing operations					
Revenue	5	67,914	81,525	22,763	28,226
Cost of sales		(48,640)	(61,944)	(16,125)	(18,091)
Gross profit		19,274	19,581	6,638	10,135
Other income and gains and losses, net		514	696	494	168
Selling and distribution expenses		(21,277)	(27,413)	(8,100)	(9,117)
Administrative expenses		(25,723)	(28,456)	(7,192)	(10,197)
Other operating (expense)/income		(1,015)	528	(2)	51
Share of profits and losses of:					
A joint venture		3	(307)	7	285
Associates		(634)	(36)	(584)	131
Loss before tax		(28,858)	(35,407)	(8,739)	(8,544)
Income tax (expense)/credit	6	(1,815)	5,411	(432)	2,632
Loss for the period from continuing operations		(30,673)	(29,996)	(9,171)	(5,912)
Discontinued operation					
(Loss)/profit for the period from discontinued operation		(136)	–	84	–
Loss for the period		(30,809)	(29,996)	(9,087)	(5,912)
Other comprehensive income/ (expense) for the period					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		6,588	(2,724)	2,142	(1,340)
Total comprehensive expense for the period		(24,221)	(32,720)	(6,945)	(7,252)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
(Loss)/profit for the period attributable to the owners of the Company:					
— from continuing operations		(29,540)	(29,480)	(9,212)	(5,803)
— from discontinued operation		(136)	—	84	—
		(29,676)	(29,480)	(9,128)	(5,803)
(Loss)/profit for the period attributable to the non-controlling interests from continuing operations		(1,133)	(516)	41	(109)
		(30,809)	(29,996)	(9,087)	(5,912)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the company		(23,088)	(32,204)	(6,986)	(7,143)
Non-controlling interests		(1,133)	(516)	41	(109)
		(24,221)	(32,720)	(6,945)	(7,252)
		RMB cents	RMB cents	RMB cents	RMB cent
Basic loss per share	8				
From continuing and discontinued operations		(4.42)	(4.91)	(1.27)	(0.97)
From continuing operations		(4.40)	(4.91)	(1.28)	(0.97)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Accumulated loss			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	-	-	-	-	-	-	(29,480)	(29,480)	(516)	(29,996)
Other comprehensive expense for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,724)	-	(2,724)	-	(2,724)
Total comprehensive expense for the period	-	-	-	-	-	(2,724)	(29,480)	(32,204)	(516)	(32,720)
At 30 September 2014 (unaudited)	3,957	224,984	26,239	12,980	19	(8,402)	(90,087)	169,690	3,196	172,886
At 1 January 2015 (audited)	3,957	224,984	26,239	13,174	19	(6,549)	(119,924)	141,900	5,387	147,287
Loss for the period	-	-	-	-	-	-	(29,676)	(29,676)	(1,133)	(30,809)
Other comprehensive expense for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	6,588	-	6,588	-	6,588
Total comprehensive income/(expense) for the period	-	-	-	-	-	6,588	(29,676)	(23,088)	(1,133)	(24,221)
Issue of subscription shares	743	20,358	-	-	-	-	-	21,101	-	21,101
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	1,000	1,000
At 30 September 2015 (unaudited)	4,700	245,342	26,239	13,174	19	39	(149,600)	139,913	5,254	145,167

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 in Hong Kong is Suite 2001, Tower 1, China Hong Kong City, 33 Canton 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 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 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 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 Listing Rules”). These condensed consolidated financial statements have been prepared under the historical cost convention. They are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

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 2014.

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 2015. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax.

During the period ended 30 September 2015, management of the Group decided to concentrate the resources of the Group on the business of printed media advertising and outdoor advertising, and to better control the business risk, and discontinued the operation of money lending business by disposal of 33 Consultants Services Limited to independent third parties in September 2015.

The segment information reported below does not include any amounts for the discontinued operation.

	Nine months ended 30 September		Three months ended 30 September	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
An analysis of the Group's revenue for the period from continuing operations is as follow:				
Printed media advertising	59,296	65,964	20,472	23,960
Outdoor advertising	8,618	15,561	2,291	4,266
Total	67,914	81,525	22,763	28,226

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Total (unaudited) RMB'000
Continuing operations			
For the nine months ended 30 September 2015			
Segment revenue:			
Sales to external customers	59,296	8,618	67,914
Segment results	20,321	(1,047)	19,274
<i>Reconciliation:</i>			
Bank interest income			711
Other unallocated income and gains and losses, net			(1,212)
Share of profits and losses of:			
A joint venture			3
Associates			(634)
Corporate and other unallocated expenses			(47,000)
Loss before tax			(28,858)

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
--	--	--	--	---------------------------------

Continuing operations
For the nine months ended
30 September 2014

Segment revenue:

Sales to external customers	65,964	15,561	–	81,525
-----------------------------	--------	--------	---	--------

Segment results

	20,194	(613)	–	19,581
--	--------	-------	---	--------

Reconciliation:

Bank interest income				79
----------------------	--	--	--	----

Other unallocated income and gains and losses, net				617
---	--	--	--	-----

Share of profits and losses of:

A joint venture				(307)
-----------------	--	--	--	-------

Associates				(36)
------------	--	--	--	------

Corporate and other unallocated expenses				(55,341)
--	--	--	--	----------

Loss before tax				(35,407)
-----------------	--	--	--	----------

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 nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil). Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2015 (nine months ended 30 September 2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of RMB29,676,000 (nine months ended 30 September 2014: RMB29,480,000) and the weighted average number of ordinary shares of 671,209,000 (nine months ended 30 September 2014: 600,000,000) in issue during the period.

From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the period from continuing operations attributable to owners of the Company of RMB29,540,000 (nine months ended 30 September 2014: RMB29,480,000) and the weighted average number of ordinary shares of 671,209,000 (nine months ended 30 September 2014: 600,000,000) in issue during the period.

From discontinued operation

Basic loss per share from discontinued operation is RMB0.02 cent per share (2014: Nil), is based on the loss for the period from discontinued operation of RMB136,000 (nine month ended 30 September 2014: Nil) and the weighted average number of ordinary shares of 671,209,000 (nine month ended 30 September 2014: 600,000,000) in issue during the period.

No diluted loss per share is presented for the nine months ended 30 September 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. SHARE CAPITAL

	Note	Number of share	Share Capital RMB'000
Ordinary shares of US\$0.001 each			
Authorised:			
As at 1 January 2014, 30 September 2014, 1 January 2015 and 30 September 2015		40,000,000,000	263,672
Issued and fully paid:			
As at 1 January 2014, 30 September 2014 and 1 January 2015		600,000,000	3,957
Issue of subscription shares	(a)	120,000,000	743
As at 30 September 2015		720,000,000	4,700

- (a) On 10 April 2015, the Company entered into a subscription agreement with New Express Investment Limited, an independent third party, pursuant to which, the Company agreed to issue and New Express Investment Limited agreed to subscribe, in cash, for 120,000,000 new shares of the Company at a subscription price of HK\$0.22 per share. All the conditions of the subscription were fulfilled and the completion of the subscription took place on 22 April 2015 in accordance with the terms and conditions of the subscription agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EVENT AFTER THE REPORTING PERIOD

On 8 October 2015, the Company issued 5,040,000,000 offer shares at the subscription price of HK\$0.1 each on the basis of seven offer shares for every one existing share held on the record date (the "Open Offer"). The net proceeds of the Open Offer received by the Company were approximately HK\$497.4 million after deduction of the estimated related expenses, including, among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Open Offer.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising and outdoor advertising. The Group's revenue from continuing operations for the nine months ended 30 September 2015 amounted to approximately RMB67,914,000, representing a decrease of approximately RMB13,611,000 or 16.7% as compared to approximately RMB81,525,000 for the corresponding period last year.

Overall gross profit decreased slightly by approximately RMB307,000 or 1.6% to approximately RMB19,274,000 for the nine months ended 30 September 2015 from approximately RMB19,581,000 for the corresponding period last year. The gross profit margin for the current period increased to 28.4% from 24.0% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to the owners of the Company of approximately RMB23,088,000 during the period, representing a decrease of RMB9,116,000 when compared to RMB32,204,000 for the corresponding period last year.

REVIEW BY SEGMENT

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

	Revenue			Gross Profit/(loss)			Gross Profit/(loss) Margin	
	30 September		Change %	30 September		Change %	30 September	
	2015	2014		2015	2014		2015	2014
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	
Printed media advertising	59,296	65,964	(10.1)	20,321	20,194	0.6	34.3	30.6
Outdoor advertising	8,618	15,561	(44.6)	(1,047)	(613)	(70.8)	(12.1)	(3.9)
Total	67,914	81,525	(16.7)	19,274	19,581	(1.6)	28.4	24.0

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue of the Group for the nine months ended 30 September 2015, representing approximately 87.3% 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 a monthly nationwide periodical 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 85.5% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB6,668,000 or 10.1% from approximately RMB65,964,000 for the nine months ended 30 September 2014 to approximately RMB59,296,000 for the nine months ended 30 September 2015. The decrease was mainly due to termination of distribution of periodical "都市生活" (City Life) on trains which belongs to Wuhan Railway Bureau and the cessation of periodical "上海鐵道" (Shanghai Railway) since September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Gross profit from printed media advertising for the nine months ended 30 September 2015 amounted to approximately RMB20,321,000, representing an increase of approximately 0.6% as compared to that of the corresponding period last year, which was approximately RMB20,194,000. Gross profit margin of printed media advertising increased from approximately 30.6% for the nine months ended 30 September 2014 to approximately 34.3% for the nine months ended 30 September 2015. The increase in margin was due to termination of loss making periodical “上海鐵道” (Shanghai Railway) and cessation of distribution of loss making periodical “都市生活” (City Life) on trains under Wuhan Railway Bureau.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations. Revenue from outdoor advertising decreased by approximately RMB6,943,000 or 44.6% from approximately RMB15,561,000 for the nine months ended 30 September 2014 to approximately RMB8,618,000 for the nine months ended 30 September 2015. The decrease was mainly contributed by early termination of advertising on billboards and LEDs installed at train stations which are loss making and no new contracts were entered for advertising on air traffic control towers.

Gross loss from outdoor advertising for the nine months ended 30 September 2015 amounted to approximately RMB1,047,000 increased from approximately RMB613,000 for the corresponding period last year. Gross loss margin from outdoor advertising was approximately 12.1% for the nine months ended 30 September 2015 as compared to approximately 3.9% for the nine months ended 30 September 2014. The increase in gross loss and gross loss margin was mainly attributable to the decrease of revenue from billboards and LEDs advertising, while cost of sales remained high due to fixed amount of the amortization of installation and construction cost of outdoor advertising spaces at various railway stations.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

On 8 October 2015, the Company issued 5,040,000,000 offer shares at the subscription price of HK\$0.1 each on the basis of seven offer shares for every one existing share held on the record date. All such shares issued were ordinary shares. The net proceeds of the Open Offer received by the Company were approximately HK\$497.4 million after deduction of the estimated related expenses, including, among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Open Offer.

PROSPECTS

On 7 October 2015, the Group has successfully raised HK\$504 million by offering 5,040,000,000 offer shares at the subscription price of HK\$0.1 each on the basis of seven (7) offer shares for every one (1) existing share held on the record date. With the proceeds, the Group will actively explore business opportunities in order to diversify the Group's existing businesses and expand into a new business segment of investment in the international movie industry. In October 2015, a new joint venture has been formed between 33 Services Limited, an indirect wholly-owned subsidiary of the Company and PBIL Productions Ltd, an independent third party of the Company. The joint venture will be principally engaged in the management and investment in media and/or telecom, media and technology related projects and/or investment funds globally. In addition, 33 Services Limited has also entered into two TV drama investment agreements and a movie investment agreement. The Group believes that the investments in TV dramas and movies, coupled with its ancillary products and marketing activities would provide more publicity and hence advertising channels in our magazine, therefore bringing additional revenue and business to the Group.

Looking ahead, the Group will endeavor to maintain the growth of our existing businesses and expand into diversified new movie businesses. With the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dailian railway, the Group will also increase the number of routes specific supplements of our 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 our sales network, as well as to strengthen our sales and advertising teams.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

In late 2014, the Group obtained the Mastercard prepaid card license and launched the “373 prepaid card” in mid 2015. The Group believes that the prepaid card products will further strengthen our brand as it is targeted towards the same audience as our magazine, “Fellow Travelers”, who are generally active travelers abroad, and will create synergy amongst the two products.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) throughout the period under review.

DIRECTORS’ INTERESTS IN COMPETING INTERESTS

For the nine months ended 30 September 2015, 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 close associates (as defined under the 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 nine months ended 30 September 2015, 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 September 2015, 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 in 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. Ruan Deqing	Interest of a controlled corporation	1,036,800,000 Shares (Note 1)	144.00
Mr. Wang Fuqing	Interest of a controlled corporation	45,738,000 Shares (Note 2)	6.35
	Beneficial owner	1,194,000 Shares	0.17

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

- (1) These Shares were registered in the name of Lizhong Limited (“Lizhong”), of which 844,799,700 Shares are the new shares to be allotted and issued (“Offer Shares”) pursuant to the proposed issue by way of Open Offer which Lizhong will accept pursuant to the irrevocable undertakings. 48.73% 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.
- (2) 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 September 2015, none of the Directors and chief executives 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 September 2015, the following persons other than 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	1,036,800,000	144.00
Broad Win Limited (Note 1)	Interest of a controlled corporation	1,036,800,000	144.00
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	1,036,800,000	144.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	1,036,800,000	144.00
Joint Loyal (Note 1)	Interest of a controlled corporation	1,036,800,000	144.00
Ms. Liu Sibin (Note 3)	Interest of spouse	1,036,800,000	144.00
Adamas Asset Management (HK) Limited (Note 4)	Investment manager	192,000,000	26.67

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
New Express Investment Limited (Note 5)	Beneficial owner	403,622,000	56.06
China Investment and Finance Group Limited (Note 5)	Interest of a controlled corporation	403,622,000	56.06
Ms. Zhu Yan (Note 6)	Interest of spouse	46,932,000	6.52
Make Sense	Beneficial owner	45,738,000	6.35
Ms. Chu Yuet Wah (Note 7)	Interest of a controlled corporation	1,500,000,000	208.33
Active Dynamic Limited (Note 7)	Interest of a controlled corporation	1,500,000,000	208.33
Galaxy Sky Investments Limited (Note 7)	Interest of a controlled corporation	1,500,000,000	208.33
Kingston Capital Asia Limited (Note 7)	Interest of a controlled corporation	1,500,000,000	208.33
Kingston Financial Group Limited (Note 7)	Interest of a controlled corporation	1,500,000,000	208.33
Kingston Securities Limited (Note 7)	Others	1,500,000,000	208.33
Gransing Securities Co., Limited (Note 8)	Beneficial owner	1,905,200,300	264.61
Oei Hong Eng (Note 8)	Interest of a controlled corporation	1,905,200,300	264.61
Que Bon Tan Gerald (Note 8)	Interest of a controlled corporation	1,905,200,300	264.61
RHB OSK Securities Hong Kong Limited (Note 9)	Beneficial owner	500,000,000	69.44

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

- (1) These Shares were registered in the name of Lizhong Limited (“Lizhong”), of which 844,799,700 Shares are the Offer Shares pursuant to the Open Offer which Lizhong will accept pursuant to the irrevocable undertakings. 48.73% and 48.73% of the entire issued share capital of Lizhong was owned by Broad Win Limited (“Broad Win”) and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was owned by Mr. Lin Pintong (“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 Wenqian.
- (2) Ms. Pan Xiaoying (“Ms. Pan”) was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the 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 Shares which Mr. Ruan was deemed, or taken to be interested in for the purposes of the SFO.
- (4) On 21 January 2015, Lizhong, as borrower, entered into a loan agreement with an independent third party, Adamas Asset Management (HK) Limited (“Adamas Asset Management”), as lender, for a term loan for its own business purpose which is secured by a share charge of 192,000,000 Shares owned by Lizhong in favour of the lender.
- (5) These Shares were registered in the name of and beneficially owned by New Express Investment Limited (“New Express Investment”), of which 290,000,000 Shares are Offer Shares pursuant to the Open Offer which New Express Investment will accept pursuant to the irrevocable undertakings. The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited (“China Investment”). China Investment is deemed to be interested in all the Shares in which New Express Investment was interested by virtue 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) The Shares are the Offer Shares which Kingston Securities Limited (“Kingston Securities”) is interested under the underwriting agreement dated 24 July 2015 and the supplemental underwriting agreement dated 4 August 2015 entered into among the Company and the underwriters in relation to the underwriting arrangement (“Underwriting Agreement”) in respect of the Open Offer on the assumption of no acceptance by the qualifying shareholders under the Open Offer. Kingston Securities is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.
- (8) The Shares are the Offer Shares which Gransing Securities Co., Limited (“Gransing Securities”) is interested under the Underwriting Agreement on the assumption of no acceptance by the qualifying shareholders under the Open Offer. These Shares are registered in the name of and beneficially owned by Gransing Securities, 50% and 50% of the issued share capital of Gransing Securities is owned by Oei Hong Eng and Que Bon Tan Gerald respectively. Under the SFO, each of Oei Hong Eng and Que Bon Tan Gerald is deemed to be interested in all the Shares held by Gransing Securities.
- (9) The Share are the Offer Shares which RHB OSK Securities Hong Kong Limited is interested under the Underwriting Agreement on the assumption of no acceptance by the qualifying shareholders under the Open Offer.

Save as disclosed above, as at 30 September 2015, 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors throughout the period under review.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. As at the date of this report, the Audit Committee has two members comprising Ms. Tay Sheve Li (Chairperson) and Ms. Yu Shun Yan Verda, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2015. 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

Hong Kong, 10 November 2015

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Peng Lichun and Mr. Ma Pun Fai; the non-executive Director is Mr. Wang Fuqing; and the independent non-executive Directors are Ms. Tay Sheve Li and Ms. Yu Shun Yan Verda.