



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



2016 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2016

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2016, together with the comparative unaudited figures for the corresponding period in 2015, are as follows:

	Notes	Three months ended 31 March	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Continuing operations			
REVENUE	5	20,242	23,379
Cost of sales		(11,359)	(17,120)
Gross profit		8,883	6,259
Other income and gains, net		309	(229)
Other gains and losses		3,864	(949)
Selling and distribution expenses		(7,355)	(8,077)
Administrative expenses		(7,661)	(8,029)
Share of results of:			
A joint venture		(109)	(530)
Associates		(31)	(1)
LOSS BEFORE TAXATION		(2,100)	(11,556)
Taxation	6	(15)	(300)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,115)	(11,856)
Discontinued operation			
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATION		—	1,347
LOSS FOR THE PERIOD		(2,115)	(10,509)
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,975)	799
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(5,090)	(9,710)
(Loss)/profit for the period attributable to owners of the Company:			
— from continuing operations		(1,915)	(11,805)
— from discontinued operation		—	1,347
		(1,915)	(10,458)
Loss for the period attributable to non-controlling interests from continuing operations		(200)	(51)
		(2,115)	(10,509)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(4,890)	(9,659)
Non-controlling interests		(200)	(51)
		(5,090)	(9,710)
		RMB cents	RMB cents (restated)
BASIC LOSS PER SHARE	8		
From continuing and discontinued operations		0.03	1.20
From continuing operations		0.03	1.36

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

Attributable to owners of the Company										
	Issued capital	Share premium	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 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	-	-	-	-	-	-	(10,458)	(10,458)	(51)	(10,509)
Exchange differences on translation of foreign operations	-	-	-	-	-	799	-	799	-	799
Total comprehensive expense for the period	-	-	-	-	-	799	(10,458)	(9,659)	(51)	(9,710)
At 31 March 2015 (unaudited)	3,957	224,984	26,239	13,174	19	(5,750)	(130,382)	132,241	5,336	137,577
At 1 January 2016 (audited)	36,721	626,521	26,239	13,174	19	(271)	(165,106)	537,297	5,647	542,944
Loss for the period	-	-	-	-	-	-	(1,915)	(1,915)	(200)	(2,115)
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,975)	-	(2,975)	-	(2,975)
Total comprehensive expense for the period	-	-	-	-	-	(2,975)	(1,915)	(4,890)	(200)	(5,090)
At 31 March 2016 (unaudited)	36,721	626,521	26,239	13,174	19	(3,246)	(167,021)	532,407	5,447	537,854

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

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 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, outdoor advertising spaces on trains and railway stations in Mainland China and film investment.

2. BASIS OF PREPARATION

The 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”). The condensed consolidated financial statements have been prepared under the historical cost basis. They are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

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 2015.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTINGS STANDARDS (“IFRSs”)

In the current period, the Group has applied a number of 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 2016. The application 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 applied 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

For the three months ended 31 March 2016

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	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
An analysis of the Group's revenue for the period from continuing operations is as follows:		
Printed media advertising income	17,185	18,946
Outdoor advertising income	3,057	4,433
	20,242	23,379

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film investment (unaudited) RMB'000	Total (unaudited) RMB'000
For the three months ended 31 March 2016				
Continuing operations				
Segment revenue:				
Sales to external customers	17,185	3,057	–	20,242
Segment profit/(loss)	7,853	1,030	(252)	8,631
<i>Reconciliation:</i>				
Bank interest income				279
Unallocated other income, other gains and losses, net				3,894
Share of results of:				
A joint venture				(109)
An associate				(31)
Corporate and other unallocated expenses				(14,764)
Loss before taxation				(2,100)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Total (unaudited) RMB'000
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Continuing operations

For the three months ended 31 March 2015

Segment revenue:

Sales to external customers	18,946	4,433	23,379
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Segment profit	5,046	1,213	6,259
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Reconciliation:

Bank interest income			457
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Unallocated other income, other gains and losses, net			(1,635)
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Share of results of: A joint venture			(530)
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Associates			(1)
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Corporate and other unallocated expenses			(16,106)
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Loss before taxation			(11,556)
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6. TAXATION

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 2016 (three months ended 31 March 2015: Nil). Taxes on profits assessable in the People's Republic of China (the "PRC") 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 2016 (three months ended 31 March 2015: Nil).

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2016 (three months ended 31 March 2015: Nil).

8. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(1,915)	(10,458)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2016

8. LOSS PER SHARE (continued) For continuing and discontinued operations (continued)

	Number of shares Three months ended 31 March	
	2016 '000	2015 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	5,760,000	870,000

The weighted average number of ordinary shares for the purpose of basic loss per share for the three months ended 31 March 2015 have been restated to reflect the impact of rights issue in October 2015.

No separate diluted loss per share information has been presented as there were no dilutive potential ordinary shares outstanding for both periods.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Three months ended 31 March	
	2016 RMB'000	2015 RMB'000
Loss is calculated as follows:		
Loss for the period attributable to owners of the Company	(1,915)	(10,458)
Less: Profit for the period from discontinued operation	–	(1,347)
Loss for the purpose of basic loss per share from continuing operations	(1,915)	(11,805)

The denominators used are the same as those detailed above for basic loss per share.

From discontinued operation

For the three months ended 31 March 2015, basic profit per share from discontinued operation is RMB0.15 cent per share, which is based on the profit for the period from discontinued operation of RMB1,347,000 and the denominators detailed above for basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising and film investment. The Group's total revenue for the three months ended 31 March 2016 amounted to approximately RMB20,242,000, representing a decrease of approximately RMB4,798,000 or 19.2% as compared to approximately RMB25,040,000 for the corresponding period of last year, which include RMB23,379,000 from continuing operations and RMB1,661,000 from discontinued operation.

Overall gross profit increased by approximately RMB998,000 or 12.7% to approximately RMB8,883,000 for the three months ended 31 March 2016 from approximately RMB7,885,000 for the corresponding period of last year. The gross profit margin for the current period increased to 43.9% from 31.5% for the corresponding period of last year. The total comprehensive expense for the period attributable to owners of the Company amounted to approximately RMB4,890,000, representing a decrease of approximately 49.4% from approximately RMB9,659,000 for the corresponding period of 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			Gross profit margin	
	Three months ended			Three months ended			Three months ended	
	31 March			31 March			31 March	
	2016	2015	Change %	2016	2015	Change %	2016	2015
(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Printed media advertising	17,185	18,946	(9.3)	7,853	5,046	55.6	45.7	26.6
Outdoor advertising	3,057	4,433	(31.0)	1,030	1,213	(15.1)	33.7	27.4
Film investment	–	–	–	(252)	–	(100.0)	(100.0)	–
Total	20,242	23,379	(13.4)	8,631	6,259	37.9	42.6	26.8

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue of the Group for the three months ended 31 March 2016, representing approximately 84.9% 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 88.3% of the Group's total revenue from printed media advertising.

Revenue from printed media advertising decreased by approximately RMB1,761,000 or 9.3% from approximately RMB18,946,000 for the three months ended 31 March 2015 to approximately RMB17,185,000 for the three months ended 31 March 2016. The decrease was mainly due to the reduction in revenue from “旅伴” (Fellow Traveller) as result of reduction in number of customers.

Gross profit from printed media advertising for the three months ended 31 March 2016 amounted to approximately RMB7,853,000, representing an increase of approximately 55.6% as compared to the corresponding period of last year, which was approximately RMB5,046,000. Gross profit margin of printed media advertising increased from approximately 26.6% for the three months ended 31 March 2015 to approximately 45.7% for the three months ended 31 March 2016. The increase in gross profit and gross profit margin was mainly due to reduction in agency fee, as some agency contracts were expired in February 2016 and were in the process of renewal. Counterparties agreed to waive agency fee during the transactional period of renewing these new agency contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from sales of advertising spaces on billboards and LEDs installed at certain selected train stations. Revenue from outdoor media advertising decreased by approximately RMB1,376,000 or 31.0% from approximately RMB4,433,000 for the three months ended 31 March 2015 to approximately RMB3,057,000 for the three months ended 31 March 2016. The reduction in revenue was due to reduction in number of customers.

Gross profit from outdoor advertising for the three months ended 31 March 2016 amounted to approximately RMB1,030,000, representing a decrease of approximately 15.1% as compared to the corresponding period of last year, which was approximately RMB1,213,000. Gross profit margin of outdoor advertising increased from approximately 27.4% for the three months ended 31 March 2015 to approximately 33.7% for the three months ended 31 March 2016. The improvement in profit margin was due to early termination of all the advertising agency agreements in mid-2015 with the local PRC railway authorities for the outdoor advertising spaces at various railway stations in the PRC, thus the monthly fixed advertising agency fee payment reduced significantly.

Film Investment

Film investment is a new segment started in late 2015. Revenue from film investment represents profit sharing on box office of movies and distribution income of television drama in the PRC. The investment projects were not completed nor launched by period end, thus there was no profit sharing on box office of movies and distribution income of television drama, while only some administration expenses incurred.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to Open Offer completed on 8 October 2015, the Company has raised approximately HK\$497 million (RMB415 million), net of commission and related expenses, which are intended to be applied in the following manner:

- (a) approximately HK\$293 million, representing 59% of the net proceeds from the Open Offer will be used for the investments in movie industry through the new joint venture company;
- (b) approximately HK\$154 million, representing approximately 31% of the net proceeds from the Open Offer will be used for the investment opportunities in the movie industry when opportunities arise;
- (c) remaining balance of approximately HK\$50 million, representing 10.0% of the net proceeds from the Open Offer is for the general working capital for the existing businesses of the Group.

Upon receipt of the proceeds, the actual use of the proceeds as of 31 March 2016 by the Company was as follow:

- (i) approximately HK\$97 million were invested for 6 projects covering films and television drama series through the joint venture company ;
- (ii) approximately HK\$36 million were invested for 2 projects covering film and television drama series through indirectly wholly owned subsidiary of the Company;
- (iii) approximately HK\$30 million has been used for the general working capital for the existing businesses of the Group; and
- (iv) the remaining balance of approximately HK\$334 million being held as bank balance.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any significant contingent liabilities (as at 31 March 2015: nil).



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead, the Group will endeavor to maintain the growth of our existing businesses and expand into diversified new businesses. With the commencement of more main railway routes, the Group will also increase the number of route-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. In late 2014, the Group obtained the Mastercard prepaid card license and launched the "33 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.

To strengthen the Group's capability in content production, the Group entered into a joint venture agreement (the "Agreement") with PBIL Productions Limited, and formed Motion Arts Entertainment Limited, in late 2015. The Group believes that this cooperation will provide us strength in contents production and enrich resources in its film business. A number of investment projects will be confirmed and rolled out progressively. Television drama series production and distribution is one of the favorite entertainments of the Chinese audience, the potential for development of the television drama market is huge. The Group will be dedicated to the production of high-quality films and television drama series, in late 2015, the Group invested in the drama "5am-9pm" (朝5晚9) and is targeted to broadcast in 2017.

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 2016, 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 2016, 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 2016, 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. Ruan Deqing	Interest of a controlled corporation	1,036,800,000 ordinary Shares (Note 1)	18.00
Mr. Wang Fuqing	Interest of a controlled corporation	141,768,000 ordinary Shares (Note 2)	2.46
	Beneficial owner	1,194,000 ordinary Shares	0.02

Notes:

- (1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.
- (2) These Shares are registered in the name of Make Sense Group Limited, the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), an non-executive director. Mr. Wang is deemed to be interested in all the Shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at 31 March 2016, 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 2016, 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 (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	1,036,800,000	18.00
Lizhong (Note 1)	Beneficial owner	1,036,800,000	18.00
Broad Win (Note 1)	Interest of a controlled corporation	1,036,800,000	18.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	1,036,800,000	18.00
Joint Loyal (Note 1)	Interest of a controlled corporation	1,036,800,000	18.00
Ms. Liu Sibin (Note 3)	Interest of spouse	1,036,800,000	18.00
New Express Investment Limited (Note 4)	Beneficial owner	403,622,000	7.01
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	403,622,000	7.01

Notes:

- (1) These Shares are registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong is owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is 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 is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the Shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). 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.

Save as disclosed above, as at 31 March 2016, 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

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.

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), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2016. 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, 9 May 2016

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, Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu.