



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
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. Peng Lichun
Mr. Ma Pun Fai

Non-Executive Director

Mr. Wang Fuqing (retired on 13 May 2016)

Independent Non-Executive Directors

Ms. Tay Sheve Li
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

LEGAL ADVISERS

As to Hong Kong law:

Robertsons
57/F, The Centre
99 Queen's Road
Central
Hong Kong

As to PRC law:

Beijing Zhongtong Law Firm
18th Floor, Tower A, Hanzun Building
No. 29 Third Ring Road North
Xicheng District
Beijing
China

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Siu Shing Tak

COMPANY SECRETARY

Mr. Siu Shing Tak, *HKICPA, AICPA*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)
Ms. Yu Shun Yan Verda
Mr. Yau Kit Yu

REMUNERATION COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)
Mr. Ruan Deqing
Ms. Yu Shun Yan Verda

NOMINATION COMMITTEE MEMBERS

Ms. Yu Shun Yan Verda (*Chairperson*)
Ms. Tay Sheve Li
Mr. Peng Lichun

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 REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

Suite No. 1 20/F
Tower 1
China Hong Kong City
33 Canton Road
Tsimshatsui
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited

HONG KONG BRANCH SHARE REGISTRAR

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

<http://www.china33media.com>

STOCK CODE

8087

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Company and its subsidiaries (collectively, the “Group”) during the period under review included printed media advertising, outdoor advertising and film investment. The Group’s total revenue for the six months ended 30 June 2016 amounted to approximately RMB34,129,000, representing a decrease of approximately RMB11,022,000 or 24.4% as compared to approximately RMB45,151,000 for the corresponding period last year from continuing operations. The revenue from discontinued operation of money lending business for the corresponding period last year amounted to approximately RMB2,568,000.

Overall gross profit increased by approximately RMB7,599,000 or 60.1% to approximately RMB20,236,000 for the six months ended 30 June 2016 from approximately RMB12,637,000 for the corresponding period last year from continuing operations. The overall gross profit from discontinued operation for corresponding period last year was approximately RMB2,525,000. The gross profit margin from continuing operations for the current period increased to approximately 59.3% from approximately 28.0% in the corresponding period last year from continuing operations. The gross profit margin from discontinued operation for corresponding period last year was approximately 98.4%. The Group recorded a total comprehensive income attributable to owners of the Company for the current period amounted to approximately RMB7,939,000 while it recorded a total comprehensive loss attributable to owners of the Company amounted to approximately RMB16,103,000 for the corresponding period last year.

REVIEW BY SEGMENT

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

	Revenue			Segment Profit (Loss)			Segment Profit (Loss) Margin		
	Six months ended			Six months ended			Six months ended		
	30 June			30 June			30 June		
	2016	2015	Change %	2016	2015	Change %	2016	2015	Change %
(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	%	
Printed media advertising	30,203	38,824	(22.2)	18,294	14,125	29.5	60.6	36.4	
Outdoor advertising	3,926	6,327	(37.9)	1,942	(1,488)	230.5	49.5	(23.5)	
Film investment	-	-	-	(638)	-	(100.0)	(100.0)	-	
Total	34,129	45,151	(24.4)	19,598	12,637	55.1	57.4	28.0	

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue, representing approximately 88.5% of the Group's total revenue for the six months ended 30 June 2016. 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 the People's Republic of China (the “PRC”). Revenue from “旅伴” (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 88.6% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB8,621,000 or 22.2% from approximately RMB38,824,000 for the six months ended 30 June 2015 to approximately RMB30,203,000 for the six months ended 30 June 2016. The decrease was mainly due to the reduction in revenue from “旅伴” (Fellow Traveller) and “都市生活” (City Life) as a result of reduction in number of customers.

Segment profit from printed media advertising for the six months ended 30 June 2016 amounted to approximately RMB18,294,000, representing an increase of approximately 29.5% as compared to the corresponding period last year, which was approximately RMB14,125,000. Segment profit margin of printed media advertising increased from approximately 36.4% for the six months ended 30 June 2015 to approximately 60.6% for the six months ended 30 June 2016. The increase in segment profit and segment profit margin was mainly due to reduction in agency fee, as agency contracts for Fellow Traveller were expired in February 2016 and were in the process of renewal in second quarter of 2016. Counterparties agreed to waive agency fee during the transitional period of renewing these new agency contracts.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations and revenue from promotion campaign conducted in some train stations. Revenue from outdoor advertising decreased by approximately RMB2,401,000 or 37.9% from approximately RMB6,327,000 for the six months ended 30 June 2015 to approximately RMB3,926,000 for the six months ended 30 June 2016. The decrease was mainly due to significant reduction in customers having promotion campaigns in the train stations, causing revenue from promotion campaigns to reduce by around 90%.

Segment profit from outdoor advertising for the six months ended 30 June 2016 amounted to approximately RMB1,942,000 while it was segment loss of approximately RMB1,488,000 for the corresponding period last year. Segment profit margin of outdoor advertising was 49.5% for the six months ended 30 June 2016 as compared to segment loss margin of 23.5% for the six months ended 30 June 2015. The improvement in segment result was contributed by early termination of all the advertising agency agreements with expiry dates after 2015 in mid-2015 with the local PRC railway authorities for the outdoor advertising spaces at various railway stations in the PRC, thus there was no more monthly fixed advertising agency fee payment. Agency fee will only be paid when there were customers placing advertisings. In addition, the billboard and LEDs were also transferred together with the agency rights, thus no amortisation of installation and construction cost incurred in current period.

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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Cost of Sales

Cost of sales decreased from approximately RMB32,557,000 for the six months ended 30 June 2015, among which RMB32,514,000 was from continuing operations and RMB43,000 was from discontinued operation, to approximately RMB13,893,000 for the current period, representing a decrease of approximately 57.3% for continuing operations. Cost of sales mainly consists of agency fee, printing cost, amortisation of installation and construction cost of billboards and LEDs installed in the train stations and direct labor cost. As agency contracts for Fellow Traveller were expired in February 2016 and were in the process of renewal in the second quarter of 2016, counterparties agreed to waive agency fee during the transitional period of renewing these new agency contracts, leading to a significant reduction in agency fees. Besides, transfer of advertising rights on billboard and LEDs on train stations to independent third parties also lowered agency fee. Since agency fee accounts for over half of the cost of sales, thus reduction in agency fee caused significant drop in the cost of sales.

Other Gains and Losses, Net

Other gains and losses, net increased from loss of approximately RMB3,141,000 for the six months ended 30 June 2015, among which loss of approximately RMB2,128,000 was from discontinued operation and approximately RMB1,013,000 from continuing operations, to gain of approximately RMB3,769,000 in the current period. The increase in other gains was due to no more provision of allowance for bad and doubtful debts for loan receivables and fair value gain of held for trading investments in current period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 2.4% from approximately RMB13,177,000 for the six months ended 30 June 2015 which was solely from continuing operations, to approximately RMB12,867,000 for the current period, primarily due the decrease in sales commission as a result of decrease in sales, and reduce in salary due to reduction in the headcount of sales staff.

Administrative Expenses

Administrative expenses decreased from approximately RMB19,176,000 from continuing and discontinued operations for the six months ended 30 June 2015, among which approximately RMB18,531,000 was from continuing operations and approximately RMB645,000 was from discontinued operation, to approximately RMB16,512,000 for the current period, representing a decrease of approximately 10.9% from the continuing operations. The decrease in administrative expenses was due to reduction in salary of some top management, and cost control policies applied leading to lower entertainment expenses, but partly offset by higher rental expense and other administrative expenses incurred for prepaid card business in Hong Kong.

Income Tax

There was an income tax expense of approximately RMB65,000 for the six months ended 30 June 2016 as compared to income tax expense of approximately RMB1,383,000 resulting from loss for the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2016, the Group's cash and cash equivalents, including bank deposits and cash on hand, and short-term bank deposits with original maturities not exceeding three months, amounted to approximately RMB189,297,000, representing a net decrease of approximately RMB231,037,000 as compared to the position as at 31 December 2015.

As at 30 June 2016, the current ratio was approximately 8.57 (as at 31 December 2015: 11.63) and gearing ratio of the Group was approximately 0.47 (as at 31 December 2015: 2.75) 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Pledge of Assets

As at 30 June 2016, the Group has approximately RMB15,818,000 pledged bank deposits to secure banking facilities, denominated in Renminbi and Hong Kong Dollars (as at 31 December 2015: RMB15,613,000).

Contingent Liabilities

As at 30 June 2016, the Group did not have any significant contingent liabilities (as at 31 December 2015: nil).

Capital Commitments

As at 30 June 2016, the Group did not have any significant capital commitments (as at 31 December 2015: nil).

Total Comprehensive Income (Expense) Attributable to Owners of the Company and Net Loss Margin

Total comprehensive income attributable to the owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB7,939,000 as compared to approximately loss of RMB16,103,000 in the corresponding period last year. Net loss margin of the Group for the six months ended 30 June 2016 was approximately 12.3% as compared to approximately 45.5% for the corresponding period last year.

Capital Structure

During the period under review, the Group had net assets of approximately RMB550,431,000 (31 December 2015: approximately RMB542,944,000), comprising non-current assets of approximately RMB296,961,000 (31 December 2015: approximately RMB80,845,000), and current assets of approximately RMB286,932,000 (31 December 2015: approximately RMB505,561,000). The Group recorded a net current asset position of approximately RMB253,470,000 (31 December 2015: approximately RMB462,099,000), which primarily consists of cash and cash equivalents amounted to approximately RMB205,115,000 (31 December 2015: approximately RMB435,947,000), trade receivables amounted to approximately RMB19,756,000 (31 December 2015: approximately RMB15,644,000), prepayments, deposits and other receivables amounted to approximately RMB39,614,000 (31 December 2015: approximately RMB47,833,000) and held for trading investments amounted to approximately RMB22,447,000 (31 December 2015: approximately RMB6,137,000). Major current liabilities are trade payables and other payables and accruals and amounted to approximately RMB15,889,000 (31 December 2015: approximately RMB21,667,000) and approximately RMB16,099,000 (31 December 2015: approximately RMB17,370,000), respectively. The Group had no bank borrowings as at 30 June 2016 (31 December 2015: Nil).

Foreign Exchange Risk

The Group mainly operates in the People's Republic of China (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, plus a pledged bank deposit denominated in Renminbi. 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 2016, the Group had a total of 273 employees (as at 30 June 2015: 339 employees) situated in the PRC and Hong Kong. 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 RMB16,976,000 (six months ended 30 June 2015: RMB20,255,000).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 subsidiary;
- (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% 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 30 June 2016 by the Company was as follow:

- (i) approximately HK\$258 million were invested for 15 projects covering films and television drama series through the new subsidiary;
- (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\$173 million being held as bank balance.

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 the PRC. 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 "9am-5pm" (朝9晚5) and is targeted to broadcast in 2017.

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 2016 (six months ended 30 June 2015: nil).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the period under review, none of the Directors had material interest, either directly or indirectly, in any transaction, arrangement or contract to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 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 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 2016, 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 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 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. Ruan Deqing	Interest of a controlled corporation	576,020,000 ordinary Shares (Note 1)	10.00

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

- (1) These Shares were registered in the name of Lizhong Limited (“Lizhong”), 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.

Save as disclosed above, as at 30 June 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 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 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	576,020,000	10.00
Lizhong (Note 1)	Beneficial owner	576,020,000	10.00
Broad Win (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	576,020,000	10.00
Joint Loyal (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Liu Sibin (Note 3)	Interest of spouse	576,020,000	10.00
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

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 30 June 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. As at 30 June 2016, the Audit Committee comprises 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 six months ended 30 June 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, 8 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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 2016, together with the comparative unaudited figures for the corresponding periods in 2015, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Continuing operations					
REVENUE	4	34,129	45,151	13,887	21,772
Cost of sales		(13,893)	(32,514)	(2,534)	(15,394)
Gross profit		20,236	12,637	11,353	6,378
Other income		804	20	495	249
Other gains and losses, net	4	3,769	(1,013)	(95)	(64)
Selling and distribution expenses		(12,867)	(13,177)	(5,512)	(5,100)
Administrative expenses		(16,512)	(18,531)	(8,851)	(10,502)
Share of profits and losses of:					
A joint venture		(28)	(4)	81	526
Associates		–	(50)	31	(49)
LOSS BEFORE TAX		(4,598)	(20,118)	(2,498)	(8,562)
Income tax expense	5	(65)	(1,383)	(50)	(1,083)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	6	(4,663)	(21,501)	(2,548)	(9,645)
Discontinued operation					
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		–	(221)	–	(1,568)
LOSS FOR THE PERIOD		(4,663)	(21,722)	(2,548)	(11,213)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June		Three months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:				
Item that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	12,150	4,446	15,125	3,647
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD	7,487	(17,276)	12,577	(7,566)
Loss for the period attributable to owners of the Company:				
— from continuing operations	(4,211)	(20,328)	(2,296)	(8,523)
— from discontinued operation	—	(221)	—	(1,568)
	(4,211)	(20,549)	(2,296)	(10,091)
Loss for the period attributable to non-controlling interest from continuing operations	(452)	(1,173)	(252)	(1,122)
	(4,663)	(21,722)	(2,548)	(11,213)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	7,939	(16,103)	12,829	(6,444)
Non-controlling interests	(452)	(1,173)	(252)	(1,122)
	7,487	(17,276)	12,577	(7,566)
	Note	RMB cents	RMB cents (restated)	RMB cents (restated)
BASIC LOSS PER SHARE	8			
From continuing and discontinued operations		(0.07)	(2.19)	(1.01)
From continuing operations		(0.07)	(2.17)	(0.85)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Non-current assets			
Property, plant and equipment	9	21,101	20,168
Interest in a joint venture		1,118	1,145
Interests in associates		–	6,241
Prepayments and deposits	10	271,042	49,591
Trade receivables	10	3,700	3,700
		296,961	80,845
Current assets			
Trade and bills receivables	10	19,756	15,644
Prepayments, deposits and other receivables		39,614	47,833
Held for trading investments		22,447	6,137
Pledged bank deposits		15,818	15,613
Cash and cash equivalents		189,297	420,334
		286,932	505,561
Current liabilities			
Trade payables	11	15,889	21,667
Other payables and accruals		16,099	17,370
Amount due to an associate		–	3,000
Tax payable		1,474	1,425
		33,462	43,462
Net current assets		253,470	462,099
Net assets		550,431	542,944

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Capital and reserves			
Share capital	12	36,721	36,721
Reserves		508,515	500,576
Equity attributable to owners of the Company		545,236	537,297
Non-controlling interests		5,195	5,647
Total equity		550,431	542,944

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									Total equity RMB'000
	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	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests 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	-	-	-	-	-	-	(20,549)	(20,549)	(1,173)	(21,722)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	4,446	-	4,446	-	4,446
Total comprehensive (expense)/income for the period	-	-	-	-	-	4,446	(20,549)	(16,103)	(1,173)	(17,276)
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 June 2015 (unaudited)	4,700	245,342	26,239	13,174	19	(2,103)	(140,473)	146,898	5,214	152,112
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	-	-	-	-	-	-	(4,211)	(4,211)	(452)	(4,663)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	12,150	-	12,150	-	12,150
Total comprehensive income/(expense) for the period	-	-	-	-	-	12,150	(4,211)	7,939	(452)	7,487
At 30 June 2016 (unaudited)	36,721	626,521	26,239	13,174	19	11,879	(169,317)	545,236	5,195	550,431

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Net cash used in operating activities	(243,630)	(5,640)
Net cash from investing activities	4,637	9,002
Net cash (used in)/from financing activities	(3,000)	21,101
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(241,993)	24,463
Cash and cash equivalents at beginning of period	420,334	29,790
Effect of foreign exchange rate changes, net	10,956	2,360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	189,297	56,613

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 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 at trains and railway stations in the PRC as well as film investment.

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments and measurement of segment results based on the internal reports to the executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

- (a) printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;
- (b) outdoor advertising: sale of outdoor advertising spaces, mainly in the form of light boxes, at certain railway stations in the PRC; and
- (c) film investment: film investment for profit sharing on box office of movies and distribution income of television drama in the PRC.

On 16 September 2015, the Group disposed of the entire equity interest in 33 Consultants Services Limited which engaged in money lending business. Accordingly, the comparative unaudited figures of the money lending operation have been represented as discontinued operation.

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film investment (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2016				
Continuing operations				
Segment revenue:				
Sales to external customers	30,203	3,926	–	34,129
Segment results	18,294	1,942	(638)	19,598
<i>Reconciliation:</i>				
Bank interest income				530
Unallocated other income, other gains and losses, net				4,043
Share of profits and losses of:				
A joint venture				(28)
Associates				–
Corporate and other unallocated expenses				(28,741)
Loss before tax				(4,598)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film investment (unaudited) RMB'000	Total (unaudited) RMB'000
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For the six months ended 30 June 2015

Continuing operations

Segment revenue:

Sales to external customers	38,824	6,327	–	45,151
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Segment results	14,125	(1,488)	–	12,637
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Reconciliation:

Bank interest income				600
Unallocated other income, other gains and losses, net				(1,593)
Share of profits and losses of:				
A joint venture				(4)
Associates				(50)
Corporate and other unallocated expenses				(31,708)

Loss before tax				(20,118)
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER GAINS AND LOSSES, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax and interest income. An analysis of revenue and other gains and losses, net, are as follows:

	Six months ended		Three months ended	
	30 June		30 June	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue				
Printed media advertising income	30,479	39,615	13,200	20,221
Outdoor advertising income	3,962	6,456	888	1,918
Film investment	–	–	–	–
	34,441	46,071	14,088	22,139
Less: Business tax	(312)	(920)	(201)	(367)
Total	34,129	45,151	13,887	21,772
Other gains and losses, net				
Fair value change of held for trading investments	4,089	–	600	–
Others	(320)	(1,013)	(695)	(64)
Total	3,769	(1,013)	95	(64)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

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 2015: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rate, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Law of the PRC on Enterprise Income Tax, the PRC Enterprise Income tax rate of all the PRC subsidiaries is 25%.

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Continuing operations				
Current tax				
PRC Enterprise Income Tax	65	13,383	50	1,083

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

The Group's loss for the period from continuing operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2016	2015	2016	2015
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Depreciation	879	628	517	337
Amortisation of other non-current asset	–	2,272	–	1,136
Minimum lease payments under operating leases on land and buildings	3,459	2,759	1,576	1,467
Employee benefit expense (including directors' remuneration):				
Wages and salaries	15,301	18,403	7,721	8,984
Pension scheme contributions*	1,675	1,852	789	985
Total employee benefit expense	16,976	20,255	8,510	9,969

* 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 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:

	Six months ended 30 June		Three months ended 30 June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	(4,211)	(20,549)	(2,296)	(10,091)

	Number of shares			
	Six months ended 30 June		Three months ended 30 June	
	2016 '000	2015 '000	2016 '000	2015 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	5,760,000	937,293	5,760,000	1,003,846

The weighted average number of ordinary shares for the purpose of basic loss per share for the six months and three months ended 30 June 2015 have been restated to reflect the impact of 5,040,000,000 ordinary shares issued by way of rights issue at a price of HK\$0.1 per rights share on the basis of 7 rights shares for every share held on 8 October 2015.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. LOSS PER SHARE (continued)

From continuing operations

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

	Six months ended		Three months ended	
	30 June		31 March	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Loss is calculated as follows:				
Loss for the period attributable to owners of the Company	(4,211)	(20,549)	(2,296)	(10,091)
Less: Loss for the period from discontinued operation	–	(221)	–	(1,568)
Loss for the purpose of basic loss per share from continuing operations	(4,211)	(20,328)	(2,296)	(8,523)

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

From discontinued operation

For the six months ended 30 June 2015, basic profit per share from discontinued operation is RMB0.02 cent per share, which is based on the loss for the period from discontinued operation of RMB221,000 and the denominators detailed above for basic loss per share.

For the three months ended 30 June 2015, basic profit per share from discontinued operation is RMB0.16 cent per share, which is based on the loss for the period from discontinued operation of RMB1,568,000 and the denominators detailed above for basic loss per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Net carrying amount at 1 January	20,168	11,468
Additions	1,786	11,439
Disposals	–	(346)
Depreciation	(879)	(2,455)
Effect of foreign currency exchange difference	26	62
Net carrying amount at the period/year end	21,101	20,168

10. TRADE AND BILLS RECEIVABLES/PREPAYMENTS AND DEPOSITS

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Trade and bills receivables	45,347	41,235
Less: Accumulated allowances	(21,891)	(21,891)
	23,456	19,344
Analysed as:		
Current	19,756	15,644
Non-current (Note)	3,700	3,700
	23,456	19,344

Note: The Group provided advertising services to certain property developers. The consideration for such advertising services being recognised as non-current trade receivables as at 30 June 2016 amounting to RMB3,700,000 (31 December 2015: RMB3,700,000) has been agreed to be settled by certain residential properties in the PRC. The Group has not obtained physical possession of these properties as at 30 June 2016.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE AND BILLS RECEIVABLES/PREPAYMENTS AND DEPOSITS (continued)

As at 30 June 2016, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised and aged analysis of bills receivable presented based on the date of issuance of bills, are as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Trade Receivables:		
Within 90 days	9,026	5,731
91–180 days	2,836	4,571
181–365 days	5,817	4,842
Over 1 year	5,767	3,700
	23,446	18,844
Bill Receivables:		
91–180 days	–	500
181–365 days	10	–
	10	500
	23,456	19,344

Non-current prepayments and deposits

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Prepayment for film investment (Note)	252,691	35,305
Other deposits and prepayments	18,351	14,286
	271,042	49,591

Note: With the fund raising from the Open Offer completed on 8 October 2015, the Group has been actively exploring opportunities for investment in the movie and television dramas industry. As of 30 June 2016, the Group has invested on total of 17 projects, with 2 projects invested in 2015. Projects covers various types of movies and television dramas, including comedy, drama and action. Investment cost for each project ranges from HK\$8 million to HK\$80 million. Majority of the movie scripts have been finalized, with casting in progress and will be filmed in both Hong Kong and China. As of the report date, two projects are undergoing filming procedures, and all are targeted to start shooting no later than first quarter of 2017, except three projects are targeted to start shooting in the second quarter of 2017. The estimated timetable for return on the movie projects is expected to be in 2017 onwards.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2016, based on the invoice date, is as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 90 days	1,767	6,483
91–180 days	1,584	3,055
Over 181 days	12,538	12,129
	15,889	21,667

12. SHARE CAPITAL

	Number of share	Share Capital RMB'000
Ordinary shares of US\$0.001 each		
Authorised:		
As at 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	40,000,000,000	263,672
Issued and fully paid:		
As at 1 January 2015	600,000,000	3,957
Issue of subscription shares on 22 April 2015 (Note)	120,000,000	743
As at 30 June 2015	720,000,000	4,700
As at 1 January 2016 and 30 June 2016	5,760,000,000	36,721

Note: On 10 April 2015, the Company entered into a subscription agreement with New Express Investment, an independent third party, pursuant to which, the Company agreed to issue and New Express Investment 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 INTERIM FINANCIAL STATEMENTS

13. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to three years.

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Within 1 year	5,062	6,834
After 1 year but within 5 years	1,367	2,716
	6,429	9,550

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13 above, the Group had the following commitments at the end of the reporting period:

	30 June 2016 (unaudited) RMB'000	31 December 2015 (audited) RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	19,614	15,045

At the end of the reporting period, the Company did not have other significant commitments (31 December 2015: Nil).

15. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June		Three months ended 30 June	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Short term employee benefit	1,343	1,531	672	710
Post employment benefit	37	32	18	14
	1,380	1,563	690	724