



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



Third Quarterly Report 2016

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

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

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

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
Continuing operations					
Revenue	5	46,050	67,914	11,921	22,763
Cost of sales		(21,320)	(48,640)	(7,427)	(16,125)
Gross profit		24,730	19,274	4,494	6,638
Other income and gains and losses, net		608	514	(196)	494
Selling and distribution expenses		(19,161)	(21,277)	(6,294)	(8,100)
Administrative expenses		(27,332)	(25,723)	(10,820)	(7,192)
Other operating income/(expense)		3,733	(1,015)	(36)	(2)
Share of profits and losses of:					
A joint venture		(264)	3	(236)	7
Associates		–	(634)	–	(584)
Loss before tax		(17,686)	(28,858)	(13,088)	(8,739)
Income tax (expense)/credit	6	(36)	(1,815)	29	(432)
Loss for the period from continuing operations		(17,722)	(30,673)	(13,059)	(9,171)
Discontinued operation					
(Loss)/profit for the period from discontinued operation		–	(136)	–	84
Loss for the period		(17,722)	(30,809)	(13,059)	(9,087)
Other comprehensive income/ (expense) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		8,206	6,588	(3,944)	2,142
Total comprehensive expense for the period		(9,516)	(24,221)	(17,003)	(6,945)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2016

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
(Loss)/profit for the period attributable to the owners of the Company:					
— from continuing operations		(17,159)	(29,540)	(12,948)	(9,212)
— from discontinued operation		—	(136)	—	84
		(17,159)	(29,676)	(12,948)	(9,128)
(Loss)/profit for the period attributable to the non-controlling interests from continuing operations		(563)	(1,133)	(111)	41
		(17,722)	(30,809)	(13,059)	(9,087)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the company		(8,953)	(23,088)	(16,892)	(6,986)
Non-controlling interests		(563)	(1,133)	(111)	41
		(9,516)	(24,221)	(17,003)	(6,945)
Basic loss per share	8	RMB cents	RMB cents	RMB cents	RMB cent
From continuing and discontinued operations		(0.30)	(4.42)	(0.22)	(1.27)
From continuing operations		(0.30)	(4.40)	(0.22)	(1.28)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Accumulated loss	Total			
	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	-	-	-	-	-	-	(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	
At 1 January 2016 (audited)	36,721	626,521	26,329	13,174	19	(271)	(165,106)	537,297	5,647	542,944	
Loss for the period	-	-	-	-	-	-	(17,159)	(17,159)	(563)	(17,722)	
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	8,206	-	8,206	-	8,206	
Total comprehensive income/(expense) for the period	-	-	-	-	-	8,206	(17,159)	(8,953)	(563)	(9,516)	
At 30 September 2016 (unaudited)	36,721	626,521	26,329	13,174	19	7,935	(182,265)	528,344	5,084	533,428	

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 at trains and railway stations in the People's Republic of China (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 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 2015.

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 2016. 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.

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.

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

	Nine months ended 30 September		Three months ended 30 September	
	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000	2016 (unaudited) RMB'000	2015 (unaudited) RMB'000
An analysis of the Group's revenue for the period from continuing operations is as follow:				
Printed media advertising	40,761	59,296	10,558	20,472
Outdoor advertising	5,289	8,618	1,363	2,291
Film investment	–	–	–	–
Total	46,050	67,914	11,921	22,763

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film investment (unaudited) RMB'000	Total (unaudited) RMB'000
Continuing operations For the nine months ended 30 September 2016				
Segment revenue:				
Sales to external customers	40,761	5,289	–	46,050
Segment results	22,691	2,039	(998)	23,732
<i>Reconciliation:</i>				
Bank interest income				713
Other unallocated income and gains and losses, net				3,628
Share of profits and losses of:				
A joint venture				(264)
Corporate and other unallocated expenses				(45,495)
Loss before tax				(17,686)

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	Film investment (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)

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 2016 (nine months ended 30 September 2015: Nil). Taxes on profits assessable in 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 nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: 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 RMB17,159,000 (nine months ended 30 September 2015: RMB29,676,000) and the weighted average number of ordinary shares of 5,760,000,000 (nine months ended 30 September 2015: 671,209,000) 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 RMB17,159,000 (nine months ended 30 September 2015: RMB29,540,000) and the weighted average number of ordinary shares of 5,760,000,000 (nine months ended 30 September 2015: 671,209,000) in issue during the period.

From discontinued operation

There is no discontinued operation during the nine months ended 30 September 2016. Accordingly, no basic loss per share from discontinued operation is presented. For the nine months ended 30 September 2015, basic loss per share from discontinued operation is RMB0.02 cent per share, was based on the loss for the period from discontinued operation of RMB136,000 and the weighted average number of ordinary shares of 671,209,000 in issue during the period.

No diluted loss per share is presented for the nine months ended 30 September 2016 and 2015 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 2015, 30 September 2015, 1 January 2016 and 30 September 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	(a)	120,000,000	743
As at 30 September 2015		720,000,000	4,700
Issue of shares by right issue on 8 October 2015	(b)	5,040,000,000	32,021
As at 1 January 2016 and 30 September 2016		5,760,000,000	36,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. SHARE CAPITAL (continued)

- (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.
- (b) Pursuant to an extraordinary general meeting held on 31 August 2015, an ordinary resolution was passed to approve the rights issue. On 8 October 2015, the Company issued 5,040,000,000 ordinary shares 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.

All the shares ranked pari passu with the existing shares of the Company in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising and film investment. The Group's revenue from continuing operations for the nine months ended 30 September 2016 amounted to approximately RMB46,050,000, representing a decrease of approximately RMB21,864,000 or 32.2% as compared to approximately RMB67,914,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB5,456,000 or 28.3% to approximately RMB24,730,000 for the nine months ended 30 September 2016 from approximately RMB19,274,000 for the corresponding period last year. The gross profit margin for the current period increased to 53.7% from 28.4% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to the owners of the Company of approximately RMB8,953,000 during the period, representing a decrease of RMB14,135,000 when compared to RMB23,088,000 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	
	30 September		Change %	30 September		Change %	30 September	
	2016	2015		2016	2015		2016	2015
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Printed media advertising	40,761	59,296	(31.3)	22,691	20,321	11.7	55.7	34.3
Outdoor advertising	5,289	8,618	(38.6)	2,039	(1,047)	294.7	38.6	(12.1)
Film investment	-	-	-	(998)	-	(100.0)	(100.0)	-
Total	46,050	67,914	(32.2)	23,732	19,274	23.1	51.5	28.4

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue of the Group for the nine months ended 30 September 2016, representing approximately 88.5% total revenue of the Group. 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 88.8% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB18,535,000 or 31.3% from approximately RMB59,296,000 for the nine months ended 30 September 2015 to approximately RMB40,761,000 for the nine months ended 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment profit from printed media advertising for the nine months ended 30 September 2016 amounted to approximately RMB22,691,000, representing an increase of approximately 11.7% as compared to that of the corresponding period last year, which was approximately RMB20,321,000. Segment profit margin of printed media advertising increased from approximately 34.3% for the nine months ended 30 September 2015 to approximately 55.7% for the nine months ended 30 September 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 billboards and LEDs installed at certain selected train stations. Revenue from outdoor advertising decreased by approximately RMB3,329,000 or 38.6% from approximately RMB8,618,000 for the nine months ended 30 September 2015 to approximately RMB5,289,000 for the nine months ended 30 September 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 nine months ended 30 September 2016 amounted to approximately RMB2,039,000 increased from segment loss of approximately RMB1,047,000 for the corresponding period last year. Segment profit margin from outdoor advertising was approximately 38.6% for the nine months ended 30 September 2016 as compared to segment loss margin of approximately 12.1% for the nine months ended 30 September 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.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

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 September 2016 by the Company was as follow:

- (i) approximately HK\$278 million were invested for 16 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\$11 million were invested for 2 projects in entertainment industry;
- (iv) approximately HK\$30 million has been used for the general working capital for the existing businesses of the Group; and
- (v) the remaining balance of approximately HK\$142 million being held as bank balance.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 routespecific 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.

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 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 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 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 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 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	576,020,000 ordinary Shares (Note 1)	10.00

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 September 2016, 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 2016, 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 (%)
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

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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 September 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 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 comprising 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 nine months ended 30 September 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

Hong Kong, 8 November 2016

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