



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

# First Quarterly Report 2017



## 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 2017

## FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2017, together with the comparative unaudited figures for the corresponding period in 2016, are as follows:

	<i>Notes</i>	<b>Three months ended 31 March</b>	
		<b>2017 (unaudited) RMB'000</b>	<b>2016 (unaudited) RMB'000</b>
REVENUE	5	<b>12,128</b>	20,242
Cost of sales		<b>(6,783)</b>	(11,359)
Gross profit		<b>5,345</b>	8,883
Other income		<b>522</b>	309
Other losses and gains, net		<b>(1,116)</b>	3,864
Selling and distribution expenses		<b>(4,041)</b>	(7,355)
Administrative expenses		<b>(8,454)</b>	(7,661)
Share of results of associates		–	(31)
Share of results of a joint venture		<b>(52)</b>	(109)
LOSS BEFORE TAXATION		<b>(7,796)</b>	(2,100)
Taxation	6	<b>(42)</b>	(15)
LOSS FOR THE PERIOD		<b>(7,838)</b>	(2,115)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>(4,315)</b>	(2,975)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<b>(12,153)</b>	(5,090)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	<i>Notes</i>	Three months ended 31 March	
		2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Loss for the period attributable to:			
Owners of the Company		(7,624)	(1,915)
Non-controlling interests		(214)	(200)
		(7,838)	(2,115)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(11,939)	(4,890)
Non-controlling interests		(214)	(200)
		(12,153)	(5,090)
		<b>RMB cents</b>	RMB cents
BASIC LOSS PER SHARE	8	(0.13)	(0.03)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Share option reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)
<b>At 31 March 2016 (unaudited)</b>	<b>36,721</b>	<b>626,521</b>	<b>26,239</b>	<b>13,174</b>	<b>19</b>	<b>(3,246)</b>	<b>-</b>	<b>(167,021)</b>	<b>532,407</b>	<b>5,447</b>	<b>537,854</b>
At 1 January 2017 (audited)	36,721	626,521	26,239	13,174	19	31,651	2,481	(217,616)	519,190	(2,519)	516,671
Loss for the period	-	-	-	-	-	-	-	(7,624)	(7,624)	(214)	(7,838)
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,315)	-	-	(4,315)	-	(4,315)
Total comprehensive expense for the period	-	-	-	-	-	(4,315)	-	(7,624)	(11,939)	(214)	(12,153)
<b>At 31 March 2017 (unaudited)</b>	<b>36,721</b>	<b>626,521</b>	<b>26,239</b>	<b>13,174</b>	<b>19</b>	<b>27,336</b>	<b>2,481</b>	<b>(225,240)</b>	<b>507,251</b>	<b>(2,733)</b>	<b>504,518</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

## 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 provision of advertising services of printed media for railway networks, outdoor advertising spaces on railway stations in the People's Republic of China (the "PRC"), film and entertainment investment and prepaid card business.

## 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 2016.

## 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 2017. 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 2017

## 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	
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follows:		
Printed media advertising income	9,828	17,185
Outdoor advertising income	1,815	3,057
Prepaid card income	485	–
	<b>12,128</b>	20,242

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
<b>For the three months ended 31 March 2017</b>					
<b>Segment revenue:</b>					
Revenue – external customers	9,828	1,815	–	485	12,128
<b>Segment profit/(loss)</b>	5,452	644	(481)	(3,666)	1,949
<i>Reconciliation:</i>					
Bank interest income					70
Unallocated other income, other losses and gains, net					(702)
Share of results of a joint venture:					(52)
Corporate and other unallocated expenses					(9,061)
Loss before taxation					(7,796)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

## 5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Total (unaudited) RMB'000
<b>For the three months ended 31 March 2016</b>				
<b>Segment revenue:</b>				
Revenue – external customers	17,185	3,057	–	20,242
<b>Segment profit/(loss)</b>	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)

## 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 2017 (three months ended 31 March 2016: 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 2017 (three months ended 31 March 2016: Nil).

## 7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

## 8. LOSS PER SHARE

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	
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	<b>(7,624)</b>	(1,915)

	Number of shares Three months ended 31 March	
	2017 '000	2016 '000
Number of ordinary shares for the purpose of basic loss per share	<b>5,760,000</b>	5,760,000

The computation of basic loss per share does not assume the exercise of the share options because the exercise prices of these options were higher than the average market price of the Company's shares for the three months ended 31 March 2017. No diluted loss per share has been presented for the three months ended 31 March 2016 as there were no dilutive potential ordinary shares outstanding.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising, film and entertainment investment and prepaid card business. The Group's total revenue for the three months ended 31 March 2017 amounted to approximately RMB12,128,000, representing a decrease of approximately RMB8,114,000 or 40.1% as compared to approximately RMB20,242,000 for the corresponding period of last year.

Overall gross profit decreased by approximately RMB3,538,000 or 39.8% to approximately RMB5,345,000 for the three months ended 31 March 2017 from approximately RMB8,883,000 for the corresponding period of last year. The gross profit margin for the current period increased to 44.1% from 43.9% for the corresponding period of last year. The total comprehensive expense for the period attributable to owners of the Company amounted to approximately RMB11,939,000, representing an increase of approximately 144.2% from approximately RMB4,890,000 for the corresponding period of last year.

## REVIEW BY SEGMENT

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

	Revenue			Segment profit/(loss)			Segment profit/(loss) margin	
	Three months ended			Three months ended			Three months ended	
	31 March			31 March			31 March	
	2017	2016	Change %	2017	2016	Change %	2017	2016
(unaudited)	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)
	RMB'000	RMB'000		RMB'000	RMB'000		%	%
Printed media advertising	9,828	17,185	(42.8)	5,452	7,853	(30.6)	55.5	45.7
Outdoor advertising	1,815	3,057	(40.6)	644	1,030	(37.5)	35.5	33.7
Film and entertainment investment	-	-	-	(481)	(252)	90.9	(100.0)	(100.0)
Prepaid card	485	-	100.0	(3,666)	-	(100.0)	(755.9)	-
<b>Total</b>	<b>12,128</b>	<b>20,242</b>	<b>(40.1)</b>	<b>1,949</b>	<b>8,631</b>	<b>(77.4)</b>	<b>16.1</b>	<b>42.6</b>

### Printed Media Advertising

Revenue from printed media advertising was the main source of revenue of the Group for the three months ended 31 March 2017, representing approximately 81.0% thereof. It is expected that printed media advertising would remain as the principal source of income for the Group in the near future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals 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 91.2% of the Group's total revenue from printed media advertising.

Revenue from printed media advertising decreased by approximately RMB7,357,000 or 42.8% from approximately RMB17,185,000 for the three months ended 31 March 2016 to approximately RMB9,828,000 for the three months ended 31 March 2017. The significant decrease was mainly due to decrease in number of customers for periodical "旅伴" (Fellow Traveller) and cessation of "都市生活" (City Life) due to high operating cost.

# MANAGEMENT DISCUSSION AND ANALYSIS

Segment profit from printed media advertising for the three months ended 31 March 2017 amounted to approximately RMB5,452,000, representing a decrease of approximately 30.6% as compared to the corresponding period of last year, which was approximately RMB7,853,000. The decrease in segment profit was mainly due to less revenue generated. Segment profit margin of printed media advertising increased from approximately 45.7% for the three months ended 31 March 2016 to approximately 55.5% for the three months ended 31 March 2017. Increase in segment profit margin was contributed by the expiration of the magazine placing right in 2016 resulting reduction in fixed agency fee, thus cost of sales.

## 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 and revenue from holding advertising campaigns at train stations. Revenue from outdoor media advertising decreased by approximately RMB1,242,000 or 40.6% from approximately RMB3,057,000 for the three months ended 31 March 2016 to approximately RMB1,815,000 for the three months ended 31 March 2017. The reduction in revenue was due to reduction in number of customers.

Segment profit from outdoor advertising for the three months ended 31 March 2017 amounted to approximately RMB644,000, representing a decrease of approximately 37.5% as compared to the corresponding period last year, which was approximately RMB1,030,000. Segment profit margin of outdoor advertising increased slightly from approximately 33.7% for the three months ended 31 March 2016 to approximately 35.5% for the three months ended 31 March 2017. The improvement in segment margin was due to increase in revenue generated from station campaign which has higher profit margin.

## Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. The Group expects will start generating revenue from this new segment later this year with launch of movies and other entertainment projects.

## Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016, and started generating income from the new business in 2016. Revenue from prepaid card mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service is provided. However, as a start-up business, lots of expenses were incurred on professional team, network system and regulation compliance, resulting a relatively large segment loss.

## RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to Open Offer completed on 8 October 2015, the Company has raised approximately HK\$497 million (RMB440 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Upon receipt of the proceeds, the actual use of the proceeds as of 31 March 2017 by the Company was as follow:

- (i) approximately HK\$376 million were invested for 17 projects covering films and television drama series;
- (ii) approximately HK\$21 million were invested for 2 projects in entertainment industry;
- (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\$70 million being held as bank balance.

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 31 March 2017, the Group has invested on total of 19 projects, with 4 invested in 2017, 13 invested in 2016 and 2 projects invested in 2015. Projects covers various types of movies and television dramas, including comedy, drama and action, as well as concerts. Investment cost for each project ranges from HK\$8 million to HK\$80 million. As of the report date, 7 movies completed filming procedures and is in post-production stage, the rest of the movie scripts have been finalized, with casting in progress and will be filmed in both Hong Kong and China. For the two projects in entertainment industry will be launched in third quarter of 2017. For risk management, 4 movies is confirmed to invest with other investors and the Group is actively seeking other co-investing opportunities in the movie projects. All non-completed projects invested in 2016 are targeting to start filming in second and third quarter of 2017, and return on the movie projects is expected to be later this year. For those newly invested projects in 2017, will start filming late 2017 and return is expected to be in 2018.

### CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any significant contingent liabilities (as at 31 March 2016: nil).

### PROSPECTS

The cultural and media industry throughout the world, and especially in the PRC is presented with a huge opportunity. PRC has become the world's second largest film market country. With mature online and offline entertainment platforms, PRC's content demand is soaring in a historical rate. In 2016 and 2015, the total box office in PRC is RMB45.7 billions and RMB44 billions respectively. PRC movie attendance reached 1.3 billion in 2016. We are committed to delivering quality entertainment content. We select, evaluate and produce good film and TV projects. We also pursue the opportunity to co-invest in various film projects led by other studios.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, Hong Kong's economic growth moderated to 1.9% in real terms. The growth of private consumption expenditure slowed to 1.6% (from 4.8% for 2015). However, the alternative payment industry thrived in 2016 and is gaining place in Hong Kong payment market. Apple Pay, Samsung Pay and Android Pay have entered the mobile payment market. WeChat Pay and Alipay are ready to compete and capture the share. On the stored value facilities side, in addition to the local market leaders of Hong Kong Telecom and Octopus, other players from the PRC (eg Transforex, ePayLinks) have also entered the market. With the growing number of players in the industry, the Hong Kong Monetary Authority launched the Payment Systems and Stored Value Facilities Ordinance to enforce supervision of the players which could help strengthen public confidence in using Stored Value Facilities ("SVF") products and services as well as facilitate developments and innovations in the local retail payment industry. SVF licence were granted to 13 companies in 2016 including 33 Financial Services Limited, the wholly owned subsidiary of the Group. The licensees are with diverse backgrounds, including industry giants, mainland companies and local players offering various products, including eWallet, mobile payment and prepaid card.

2016 is a year of fast-growing development for alternative payment methods in Hong Kong. In 2017, players would strive to establish a solid foothold in this highly competitive market. Despite the keen competition, we believe there're ample opportunities and we will provide products and services with creativity and innovative value to win and gain in the market so as to contribute to the Group's sustainable growth.

For the advertising business, in view that (i) the traditional printed media business has been decreasing since the year ended 31 December 2014; and (ii) the gradual shift of business focus from traditional media to new media opportunities in order to diversify the Group's existing businesses, we expect the revenue generated from advertising segment to be on a decreasing trend.

### 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 2017, 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 2017, 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 2017, 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	576,020,000 ordinary Shares (Note 1)	10.00

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.

Save as disclosed above, as at 31 March 2017, 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 2017, 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 Limited (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

Save as disclosed above, as at 31 March 2017, 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 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 2017. 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, 11 May 2017

*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.*