



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
2017

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

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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 nine months ended 30 September 2017

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 2017, together with the comparative unaudited figures for the corresponding periods in 2016, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Revenue	5	74,000	46,050	13,714	11,921
Cost of sales		(53,352)	(21,320)	(8,697)	(7,427)
Gross profit		20,648	24,730	5,017	4,494
Other income		1,766	608	674	(196)
Other losses and gains, net		(14,587)	3,733	(3,707)	(36)
Selling and distribution expenses		(10,637)	(19,161)	(2,628)	(6,294)
Administrative expenses		(20,975)	(27,332)	(6,074)	(10,820)
Share of profits and losses of a joint venture		(234)	(264)	(178)	(236)
Finance cost		(390)	–	(104)	–
Loss before tax		(24,409)	(17,686)	(7,000)	(13,088)
Income tax (expense)/credit	6	(18)	(36)	(3)	29
Loss for the period		(24,427)	(17,722)	(7,003)	(13,059)
Other comprehensive (expense)/income for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(16,903)	8,206	(6,399)	(3,944)
Total comprehensive expense for the period		(41,330)	(9,516)	(13,402)	(17,003)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
Loss for the period attributable to					
Owners of the Company		(22,533)	(17,159)	(6,290)	(12,948)
Non-controlling interests		(1,894)	(563)	(713)	(111)
		(24,427)	(17,722)	(7,003)	(13,059)
Total comprehensive expense for the period attributable to:					
Owners of the company		(39,436)	(8,953)	(12,689)	(16,892)
Non-controlling interests		(1,894)	(563)	(713)	(111)
		(41,330)	(9,516)	(13,402)	(17,003)
		RMB cents	RMB cents	RMB cents	RMB cents
Basic loss per share	8	(0.39)	(0.30)	(0.11)	(0.22)
Diluted loss per share	8	(0.39)	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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	-	-	-	-	-	-	-	(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	26,239	13,174	19	7,935	-	(182,265)	528,344	5,084	533,428
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	-	-	-	-	-	-	-	(22,533)	(22,533)	(1,894)	(24,427)
Other comprehensive expense for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(16,903)	-	-	(16,903)	-	(16,903)
Total comprehensive expense for the period	-	-	-	-	-	(16,903)	-	(22,533)	(39,436)	(1,894)	(41,330)
At 30 September 2017 (unaudited)	36,721	626,521	26,239	13,174	19	14,748	2,481	(240,149)	479,754	(4,413)	475,341

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, outdoor advertising spaces at selected trains and railway stations in the People's Republic of China (the "PRC"), film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong.

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 2016.

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 2017. 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, revenue from distribution of film rights and profit sharing from concerts, as well as transaction fees and card related fees earned from participating service providers for the use of the prepaid cards.

	Nine months ended 30 September 2017 (unaudited) RMB'000		Three months ended 30 September 2017 (unaudited) RMB'000	
	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000	2017 (unaudited) RMB'000	2016 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follow:				
Printed media advertising	30,807	40,761	9,305	10,558
Outdoor advertising	5,169	5,289	1,868	1,363
Film and entertainment investment	36,158	–	1,754	–
Prepaid card	1,866	–	787	–
Total	74,000	46,050	13,714	11,921

	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
For the nine months ended 30 September 2017					
Segment revenue:					
Sales to external customers	30,807	5,169	36,158	1,866	74,000
Segment results	19,176	2,556	1,610	(11,436)	11,906
<i>Reconciliation:</i>					
Bank interest income					162
Other unallocated income and gains and losses, net					(12,983)
Share of profits and losses of a joint venture					(234)
Finance cost					(390)
Corporate and other unallocated expenses					(22,870)
Loss before tax					(24,409)

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
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)

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 2017 (nine months ended 30 September 2016: 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 2017 (nine months ended 30 September 2016: Nil).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

8. LOSS PER SHARE

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

	Nine months ended 30 September 2017		Three months ended 30 September 2017	
	(unaudited) RMB'000	2016 (unaudited) RMB'000	(unaudited) RMB'000	2016 (unaudited) RMB'000
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(22,533)	(17,159)	(6,290)	(12,948)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS PER SHARE (continued)

	Number of shares			
	Nine months ended		Three months ended	
	30 September		30 September	
	2017	2016	2017	2016
	'000	'000	'000	'000
Average number of ordinary shares for the purpose of basic loss per share	5,760,000	5,760,000	5,760,000	5,760,000
Average number of ordinary shares for the purpose of diluted loss per share	5,760,000	N/A	N/A	N/A

The incremental shares from assumed exercise of share options granted by the Company are excluded in calculating the diluted loss per share during the nine months ended 30 September 2017 because they are antidilutive in calculating the diluted loss per share.

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 30 September 2017.

No diluted loss per share has been presented for the nine months ended 30 September 2016 and three months ended 30 September 2016 as there were no dilutive potential ordinary shares outstanding.

9. SHARE CAPITAL

	Number of share '000	Share Capital RMB'000
Ordinary shares of US\$0.001 each		
Authorised:		
As at 1 January 2016, 30 September 2016, 1 January 2017 and 30 September 2017	40,000,000	263,672
Issued and fully paid:		
As at 1 January 2017, 30 September 2016, 1 January 2017 and 30 September 2017	5,760,000	36,721

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, film and entertainment investment, as well as prepaid card business. The Group's revenue for the nine months ended 30 September 2017 amounted to approximately RMB74,000,000, representing an increase of approximately RMB27,950,000 or 60.7% as compared to approximately RMB46,050,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB4,082,000 or 16.5% to approximately RMB20,648,000 for the nine months ended 30 September 2017 from approximately RMB24,730,000 for the corresponding period last year. The gross profit margin for the current period decreased to 27.9% from 53.7% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to the owners of the Company of approximately RMB39,436,000 during the period, representing an increase of RMB30,483,000 when compared to RMB8,953,000 for the corresponding period 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	
	30 September		Change %	30 September		Change %	30 September	
	2017	2016		2017	2016		2017	2016
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	
Printed media advertising	30,807	40,761	(24.4)	19,176	22,691	(15.5)	62.2	55.7
Outdoor advertising	5,169	5,289	(2.3)	2,556	2,039	25.4	49.4	38.6
Film and entertainment investment	36,158	-	100	1,610	(998)	(261.3)	4.5	(100.0)
Prepaid card	1,866	-	100	(11,436)	-	(100)	(612.9)	-
Total	74,000	46,050	60.7	11,906	23,732	(49.8)	16.1	51.5

Printed Media Advertising

Revenue from printed media advertising was one of the main sources of revenue of the Group for the nine months ended 30 September 2017, representing approximately 41.6% total revenue of the Group. With establishment of film and entertainment investment and downsizing of the printed media advertising business, it is expected that the significance of printed media advertising income to the Group will drop, but will still remain as one of the principal sources 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 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 selected 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 91.7% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB9,954,000 or 24.4% from approximately RMB40,761,000 for the nine months ended 30 September 2016 to approximately RMB30,807,000 for the nine months ended 30 September 2017. The 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 in second half of 2016.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment profit from printed media advertising for the nine months ended 30 September 2017 amounted to approximately RMB19,176,000, representing a decrease of approximately 15.5% as compared to that of the corresponding period last year, which was approximately RMB22,691,000. Segment profit margin of printed media advertising increased from approximately 55.7% for the nine months ended 30 September 2016 to approximately 62.2% for the nine months ended 30 September 2017. The increase in segment profit margin was mainly due to the change of charging method of agency fee from a fixed amount to a variable costs, upon the expiry of original agency agreements in first half year of 2016. This allows the Group to pay agency fee only when there was advertisement secured by customers.

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 slightly by approximately RMB120,000 from approximately RMB5,289,000 for the nine months ended 30 September 2016 to approximately RMB5,169,000 for the nine months ended 30 September 2017.

Segment profit from outdoor advertising for the nine months ended 30 September 2017 amounted to approximately RMB2,556,000 increased from approximately RMB2,039,000 for the corresponding period last year. Segment profit margin from outdoor advertising was approximately 49.4% for the nine months ended 30 September 2017 increased from approximately 38.6% for the nine months ended 30 September 2016. The improvement in segment profit and profit margin was due to sale of billboards and LEDs to the third parties in 2016, thus no more amortization was recorded, instead only variable agency fee was paid when there was advertisement secured by customers.

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. This segment contributed approximately RMB36,158,000 for the nine months ended 30 September 2017. Film and entertainment investment becomes one of the main sources of revenue, representing approximately 48.9% of the Group's total revenue for the period under review. It is expected that film and entertainment investment would remain as the principal source of income for the Group in the future.

Segment profit from film and entertainment investment for the nine months ended 30 September 2017 amounted to approximately RMB1,610,000 as compared to segment loss of approximately RMB998,000 for the corresponding period last year. Segment profit margin of film and entertainment investment was 4.5% for the nine months ended 30 September 2017. The reason for the increase in segment profit and segment profit margin was because film and entertainment investment only started generating revenue in second quarter of 2017.

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. Revenue from prepaid card started from late 2016, it was approximately RMB1,866,000 for the nine months ended 30 September 2017.

Segment loss from prepaid card for the nine months ended 30 September 2017 amounted to approximately RMB11,436,000. Segment loss margin was approximately 612.9%. As a start-up business, lots of expenses were incurred on professional team, network system and regulation compliance, resulting a relatively large segment loss.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities.

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 2017 by the Company was as follow:

- (i) approximately HK\$411 million were invested for 18 projects covering films and television drama series through indirectly non-wholly owned subsidiary of the Company;
- (ii) approximately HK\$36 million were invested for 2 projects covering film and television drama series through indirectly wholly owned subsidiary of the Company;
- (iii) approximately HK\$15 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;
- (v) the remaining balance of approximately HK\$5 million is being held as bank balance.

PROSPECTS

The cultural and media industry throughout the world, and especially in the PRC is presented with a huge opportunity. China 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 billion and RMB44 billion respectively. PRC movie attendance reached 1.3 billion in 2016. We are committed to deliver 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.

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 HKT and Octopus, other players from Mainland (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 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. The licensees are with diverse backgrounds, including industry giants, mainland companies and local players offering various products, including eWallet, mobile payment and prepaid card.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 are 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.

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 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 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 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 September 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 September 2017, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 September 2017, 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

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 September 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 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 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

Hong Kong, 10 November 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.