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

2012
First Quarterly Report

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CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2012

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2012, together with the comparative unaudited figures for the corresponding period in 2011, are as follows:

	Notes	Unaudited three months ended 31 March 2012 RMB'000	2011 RMB'000
REVENUE	5	**48,831**	57,121
Cost of sales		**(41,336)**	(14,630)
Gross profit		**7,495**	42,491
Other income and gains, net		**839**	142
Selling and distribution expenses		**(12,082)**	(8,942)
Administrative expenses		**(5,275)**	(5,813)
Other operating expenses, net		**(1)**	(5)
Share of profits and losses of:			
A jointly-controlled entity		**(433)**	(165)
An associate		**203**	73
PROFIT/(LOSS) BEFORE TAX		**(9,254)**	27,781
Income tax credit/(expense)	6	**2,625**	(7,008)
PROFIT/(LOSS) FOR THE PERIOD		**(6,629)**	20,773
Profit/(loss) for the period attributable to:			
Owners of the Company		**(6,096)**	21,040
Non-controlling interests		**(533)**	(267)
		(6,629)	20,773
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic (cents)		**(RMB1.01)**	RMB4.55
Diluted (cents)		**(RMB1.01)**	RMB4.55
PROFIT/(LOSS) FOR THE PERIOD		**(6,629)**	20,773
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Exchange differences on translation of foreign operations		**8,187**	712
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,558**	21,485
Attributable to:			
Owners of the Company		**2,091**	21,752
Non-controlling interests		**(533)**	(267)
		1,558	21,485

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2012

	Unaudited										
	Attributable to owners of the Company										
	Issued capital RMB'000	**Share premium account** RMB'000	**Treasury shares** RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Share redemption reserve** RMB'000	**Exchange reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2011	2,967	9,469	—	26,153	10,030	—	926	60,572	110,117	2,972	113,089
Profit/(loss) for the period	—	—	—	—	—	—	—	21,040	21,040	(267)	20,773
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	—	—	712	—	712	—	712
Total comprehensive income/(loss) for the period	—	—	—	—	—	—	712	21,040	21,752	(267)	21,485
Issue of shares	1,009	230,463	—	—	—	—	—	—	231,472	—	231,472
Share issue expenses	—	(13,366)	—	—	—	—	—	—	(13,366)	—	(13,366)
Equity-settled share option transactions	—	—	—	22	—	—	—	—	22	—	22
At 31 March 2011	3,976	226,566	—	26,175	10,030	—	1,638	81,612	349,997	2,705	352,702
At 1 January 2012	**3,969**	**226,006**	**(216)**	**26,239**	**12,435**	**7**	**(4,631)**	**73,083**	**336,892**	**6,983**	**343,875**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,096)**	**(6,096)**	**(533)**	**(6,629)**
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**8,187**	**–**	**8,187**	**–**	**8,187**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**8,187**	**(6,096)**	**2,091**	**(533)**	**1,558**
Repurchase and cancellation of ordinary shares	**(9)**	**(808)**	**–**	**–**	**–**	**9**	**–**	**(9)**	**(817)**	**–**	**(817)**
Net change in treasury shares	**(3)**	**(213)**	**216**	**–**	**–**	**3**	**–**	**(3)**	**–**	**–**	**–**
At 31 March 2012	**3,957**	**224,985**	**–**	**26,239**	**12,435**	**19**	**3,556**	**66,975**	**338,166**	**6,450**	**344,616**

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 is Room 4215, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the companies then comprising the Group on 17 December 2010. Further details of the Reorganisation are set out in the Company's listing prospectus dated 22 February 2011 (the "Prospectus"). The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2011.

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 and audio programmes for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

2. BASIS OF PRESENTATION AND PREPARATION

(a) The condensed consolidated financial statements for the periods ended 31 March 2012 and 2011 include the financial statements of the Company and its subsidiaries for the periods ended 31 March 2012 and 2011. The condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an entity transaction. If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

(b) The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. The 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 (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 2011.

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 2012. 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.

5. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax.

The following table sets out a breakdown of revenue:

	Unaudited three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
Printed media advertising	**33,061**	43,510
Outdoor advertising	**13,908**	3,625
Audio advertising	**1,862**	9,986
	48,831	57,121

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
Three months ended 31 March 2012				
Segment revenue:				
Sales to external customers	**33,061**	**13,908**	**1,862**	**48,831**
Segment results	**17,967**	**(12,197)**	**1,725**	**7,495**
Reconciliation:				
Interest income				**836**
Other unallocated income and gains, net				**3**
Share of profits and losses of:				
a jointly-controlled entity				**(433)**
an associate				**203**
Corporate and other unallocated expenses				**(17,358)**
Loss before tax				**(9,254)**
Income tax credit				**2,625**
Loss for the period				**(6,629)**

	Printed media advertising RMB'000	Outdoor advertising RMB'000	Audio advertising RMB'000	Total RMB'000
Three months ended 31 March 2011				
Segment revenue:				
Sales to external customers	43,510	3,625	9,986	57,121
Segment results	31,893	1,165	9,433	42,491
Reconciliation:				
Interest income				140
Other unallocated income and gains, net				2
Share of profits and losses of:				
a jointly-controlled entity				(165)
an associate				73
Corporate and other unallocated expenses				(14,760)
Profit before tax				27,781
Income tax expense				(7,008)
Profit for the period				20,773

6. INCOME TAX CREDIT/(EXPENSE)

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (three months ended 31 March 2011: Nil). Taxes on profits assessable in Mainland China 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 2012 (three months ended 31 March 2011: Nil).

7. DIVIDENDS

The directors (the "Directors") of the Company did not recommend the payment of any dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company of RMB6,096,000 (three months ended 31 March 2011: profit of RMB21,040,000) and the weighted average number of ordinary shares of 600,827,000 (three months ended 31 March 2011: 462,757,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 31 March 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised:			
Upon incorporation (50,000,000 shares of US$0.001 each)	(a)	50,000,000	330
Increase in authorised share capital on 17 December 2010	(b)	39,950,000,000	263,342
		40,000,000,000	263,672
Issued:			
Upon incorporation (1 share of US$0.001 allotted and issued at nil paid)	(c)	1	—
On acquisition of Hong Kong Ao Shen Investment Co., Ltd. ("Hong Kong Ao Shen") on 17 December 2010			
— allotment and issuance of 48,999,999 shares credited as fully paid	(d)	48,999,999	323
— 1 nil paid share credited as fully paid	(d)	—	—
Capitalisation of an amount due to Lizhong Limited ("Lizhong") of RMB12,436,000	(e)	1,000,000	7
Capitalisation issue credited as fully paid on the share premium account of the Company	(f)	400,000,000	2,637
Issued capital as at 31 December 2010 and 1 January 2011		450,000,000	2,967
Issuance of new shares on 25 February 2011	(g)	150,000,000	989
Issuance of new shares on 30 March 2011	(h)	3,090,000	20
Repurchase and cancellation of ordinary shares	(i)	(1,190,000)	(7)
Repurchase and cancellation of ordinary shares	(j)	(1,900,000)	(12)
At 31 March 2012		600,000,000	3,957

Notes:

(a) On 5 May 2010, the authorised share capital was US$50,000 divided into 50,000,000 shares having a par value of US$0.001 each.

(b) Pursuant to a resolution passed on 17 December 2010, the authorised share capital of the Company was increased from US$50,000 to US$40,000,000 by the creation of 39,950,000,000 additional new shares of US$0.001 each.

(c) On 5 May 2010, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Lizhong on the same date.

(d) On 17 December 2010, the Company acquired from Lizhong an aggregate of 100 shares of HK$1 each in the share capital of Hong Kong Ao Shen, being its entire issued share capital, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 48,999,999 shares to Lizhong and (ii) credited as fully paid at par the one nil paid share then held by Lizhong (note (c)).

(e) On 17 December 2010, the Company issued and allotted 1,000,000 shares to Lizhong, credited as fully paid, in full satisfaction of the amount of part of the shareholder's loan for the principal amount of approximately RMB12,436,000 owed by Hong Kong Ao Shen to Lizhong.

(f) Pursuant to a resolution passed on 17 December 2010, 400,000,000 shares were allotted and issued at a par value of US$0.001 each in proportion to the holders of shares whose names appear on the register of members of the Company at the close of business on 17 December 2010.

(g) In connection with the Company's initial public offering, 150,000,000 shares of US$0.001 each were issued at a price of HK$1.80 per share for a total cash consideration, before expenses, of approximately HK$270,000,000 (equivalent to RMB226,800,000) on 25 February 2011. Dealings in these shares on the Stock Exchange commenced on 28 February 2011.

(h) In connection with the Company's initial public offering, an over-allotment option was exercised by Oriental Patron Securities Limited ("Oriental Patron") and accordingly, 3,090,000 shares of US$0.001 each were issued to Oriental Patron at a price of HK$1.8 per share for a total cash consideration, before expenses, of approximately HK$5,562,000 (equivalent to RMB4,672,000) on 30 March 2011. Oriental Patron might exercise the over-allotment options, which were exercisable from the listing date (i.e. 28 February 2011) up to 30 March 2011.

(i) For the year ended 31 December 2011, the Company repurchased 1,622,000 shares of US$0.001 at prices ranging from HK$0.56 to HK$0.64 per share at an aggregate consideration of RMB783,000. 1,190,000 repurchased ordinary shares were cancelled in the year. The premium of approximately RMB560,000 paid on the repurchase of such shares was debited to the share premium account and an amount of RMB7,000 was transferred from accumulated losses of the Company to the capital redemption reserve. In respect of the 432,000 ordinary shares not yet cancelled as at 31 December 2011, treasury shares of RMB216,000 are recorded at the amount of consideration paid and deducted from equity attributable to the owners of the Company until they are subsequently cancelled.

(j) For the period ended 31 March 2012, the Company repurchased 1,468,000 shares of US$0.001 at prices ranging from HK$0.64 to HK$0.69 per share at an aggregate consideration of RMB817,000. Accompanying the 432,000 shares that were repurchased in 2011 but have not yet cancelled as at 31 December 2011, 1,900,000 shares were cancelled on 30 January 2012. The premium of approximately RMB1,021,000 paid on the repurchase of such shares was debited to the share premium account and an amount of RMB12,000 was transferred to the capital redemption reserve from retained profits.

BUSINESS REVIEW

The Group's total revenue for the three months ended 31 March 2012 was RMB48,831,000, representing a decrease of approximately 14.5% as compared to RMB57,121,000 for the three months ended 31 March 2011. Overall gross profit decreased by RMB34,996,000 or 82.4% to RMB7,495,000 for the three months ended 31 March 2012 from RMB42,491,000 for the corresponding period of last year. The gross profit margin for the current period decreased to 15.3% from 74.4% in the corresponding period of last year. The loss for the period attributable to the owners of the Company amounted to RMB6,096,000, representing a decrease of approximately 129.0% as compared to the profit of RMB21,040,000 of the corresponding period in last year.

Printed Media Advertising

Revenue from printed media advertising was the principal source of revenue for the period under review which contributed approximately 67.7% of the Group's total revenue for the period under review. It is expected to continue to be our principal source of revenue in the future. Revenue from printed media advertising decreased by approximately 24.0% from RMB43,510,000 for the three months ended 31 March 2011 to RMB33,061,000 for the three months ended 31 March 2012. Gross profit for the three months ended 31 March 2012 amounted to RMB17,967,000, representing a decrease of approximately 43.7% as compared with a gross profit of RMB31,893,000 for the three months ended 31 March 2011. Gross profit margin decreased from approximately 73.3% for the three months ended 31 March 2011 to approximately 54.3% for the three months ended 31 March 2012 mainly because of the decrease of advertising orders from property developers and other related companies due to the imposition of control measures on the real estate sector by the PRC government. Moreover, high cost incurred for a newly published monthly supplement called "旅客報 1318" (Passengers 1318) (which is a special edition of "旅客報" (Passengers) and for distribution on the CRH trains Beijing-Shanghai only) and the increase in headcounts and increment of staff costs have caused the gross profit margin to drop in the period under review.

Audio Advertising

Revenue from audio advertising represented the amount generated from the sales of advertising timeslots which was being part of the audio advertising produced by the Group for broadcasting during train transmission. It is mainly driven by duration of the audio advertisements, the price per standard timeslot (i.e. 15 or 30 seconds) and the frequency of broadcast. Revenue from audio advertising decreased by RMB8,124,000 or approximately 81.4% to RMB1,862,000 for the three months ended 31 March 2012 from RMB9,986,000 for the corresponding period in year 2011. It was mainly attributable to the decrease in demand for advertising as a result of the Wenzhou's high-speed train collision incident on 23 July 2011 and the loss of a major customer who has not renewed the advertising contract which expired last year. Gross profit amounted to RMB1,725,000 for the three months ended 31 March 2012, representing a decrease of approximately 81.7% as compared to the corresponding period last year, which was RMB9,433,000. Gross profit margin decreased from approximately 94.5% for the three months ended 31 March 2011 to approximately 92.6% in the period under review.

Outdoor Advertising

Revenue from outdoor media advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers, billboards and LED installed at certain selected train stations and advertising on headrest cover sheets, folding tables and poster frames. Revenue increased from RMB3,625,000 for the three months ended 31 March 2011 to RMB13,908,000 for the three months ended 31 March 2012. The increase was mainly due to the commencement of billboards and LED advertising and advertising on headrest cover sheets, folding tables and poster frames in the second half year of 2011. There is a gross loss of RMB12,197,000 for the three months ended 31 March 2012 as compared to gross profit of RMB1,165,000 for the corresponding period of last year. The decrease of profit margin was attributed to the agency fee, maintenance fees and media service fees paid for the advertisement project on headrests cover sheets, folding tables and poster frames on high-speed railway trains and the agency fees paid for the operation of billboards and LED advertising at certain selected trains stations. A gross loss margin of 87.7% was resulted for the three months ended 31 March 2012 as compared to a gross profit margin of 32.1% for the corresponding period in last year.

FUTURE PROSPECTS

The Group will continue to establish sales offices at different PRC cities to expand our sales network, as well as strengthen our sales and advertising teams at different locations to reinforce our leading position in the on-board printed media in the high-speed railway network in China. Moreover, with the commencement of the three main railway routes of Beijing-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway in the near future, the Group will also increase the number of route-specific supplements of our printed media, thus further expanding the Group's business.

The Group has entered into contracts with certain state-owned railways media operators and has been granted the exclusive advertising rights to install and operate the billboards and LED advertisements at more than twenty selected train stations operated by five railway bureaus. To date, the Group has installed billboards, LED and facilities in certain stations, and has signed several contracts with customers, bringing additional revenue for the Group.

In order to further broaden the Group's coverage of advertising on trains as announced by the Company on 7 December 2011, the Group has successfully won the tender for the advertising rights on the headrest cover sheets, folding tables and poster frames on six routes of the PRC high-speed railway network, thereby expanding the Group's sales network on the PRC high-speed railway network. This project will expand the Group's advertising platforms and customer base and further strengthen its business coverage.

The Group will continue to secure more advertising space on the air traffic control towers at the civil airports that are operated by the Group. In future, The Group will continue to utilize the Group's competitive advantages to seek potential acquisition and merger opportunities, so as to enhance operational synergies as well as develop a more diversified advertising platform.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group did not have any significant contingent liabilities.

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 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Ruan Deqing (Note 2)	Interest of a controlled corporation	265,500,000 ordinary shares	44.25
Mr. Han Wenqian (Note 3)	Interest of a controlled corporation	9,000,000 ordinary shares	1.5
Mr. Wang Fuqing (Note 4)	Interest of a controlled corporation	28,638,000 ordinary shares	4.77
	Beneficial owner	1,044,000 ordinary shares	0.17

Notes:

(1) These shares are registered in the name of Lizhong Limited ("Lizhong"), 47.46% of the entire issued share capital of which is owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win is owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin is deemed to be interested in all the shares in which Broad Win is interested by virtue of the SFO. Mr. Lin is the sole director of Broad Win.

(2) These shares are registered in the name of Lizhong, 47.46% 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.

(3) These shares are registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which is owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han is deemed to be interested in all the shares in which Long Sunny is interested by virtue of the SFO. Mr. Han is the sole director of Long Sunny.

(4) These 28,638,000 shares are registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which is owned by Mr. Wang Fuqing ("Mr. Wang"), a non-executive director. Mr. Wang is deemed to be interested in all the shares in which Make Sense is interested by virtue of the SFO. Mr. Wang is the sole director of Make Sense.

Save as disclosed above, as at 31 March 2012, 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.

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 2012, 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 (%)
Lizhong (Note 1)	Beneficial owner	265,500,000	44.25
Broad Win (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Pan Xiaoying (Note 2)	Interest of spouse	265,500,000	44.25
Joint Loyal (Note 1)	Interest of a controlled corporation	265,500,000	44.25
Ms. Liu Sibin (Note 3)	Interest of spouse	265,500,000	44.25
Mr. Kazunari Shirai (Note 4)	Interest of a controlled corporation	49,362,000	8.23
Ms. Junko Shirai (Note 5)	Interest of spouse	49,362,000	8.23
Smartisian Holdings Company Ltd. (Note 6)	Beneficial owner	36,000,000	6.00
Mr. Wang Shouzhong (Note 6)	Interest of a controlled corporation	36,000,000	6.00
Ms. Liu Jumei (Note 6)	Interest of spouse	36,000,000	6.00

Notes:

(1) These shares are registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong is owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by 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.

(2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the 265,500,000 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 265,500,000 shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.

(4) Among these shares, Sequedge Finance Inc. ("Sequedge Finance") is the beneficial owner of 29,185,701 shares and Sequedge ASA Capital (Cayman) II Limited ("Sequedge Capital") is the beneficial owner of 20,176,299 shares. Mr. Kazunari Shirai ("Mr. Kazunari") is deemed to be interested in all these Shares by virtue of his interest in 72.08% of the entire issued share capital of Sequedge Finance and 60% of the entire issued share capital of Sequedge Capital for the purpose of the SFO.

(5) Ms. Junko Shirai ("Ms. Junko") is the spouse of Mr. Kazunari. Therefore, Ms. Junko is deemed, or taken to be, interested in all shares which Mr. Kazunari is deemed, or taken to be interested in for the purposes of the SFO.

(6) These shares are registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. ("Smartisian Holdings"), the entire issued share capital of which is owned by Mr. Wang Shouzhong. Mr. Wang Shouzhong is deemed to be interested in all the shares in which Smartisian Holdings is interested by virtue of the SFO. Ms. Liu Jumei is the spouse of Mr. Wang Shouzhong. Ms. Liu Jumei is deemed, or taken to be, interested in all shares which Mr. Wang Shouzhong is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 31 March 2012, the Directors are 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.

COMPETING INTERESTS

For the three months ended 31 March 2012, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined under GEM Listing Rules) that compete or may compete, directly of indirectly, with the business of the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Oriental Patron Asia Limited ("OPAL"), the compliance adviser of the Company, save for an indirect holding of 2,000,000 shares of the Company by an associate (as defined under the GEM Listing Rules) of OPAL, neither OPAL nor its directors or employees or associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 23 February 2011 entered into between OPAL and Company, OPAL has received and will receive fee for acting as the compliance adviser of the Company for the period from Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year, commencing after the Listing Date, i.e., the financial year ending 31 December 2013 or until the agreement is terminated in accordance with the terms and conditions set out therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2012, the Company repurchased 1,468,000 issued ordinary shares on the Stock Exchange with a view to benefiting shareholders as a whole by enhancing the net assets and earnings per share of the Company. Accompanying the 432,000 shares that repurchased in 2011 but have not yet cancelled as at 31 December 2011, 1,900,000 shares were cancelled on 30 January 2012.

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid	Equivalent aggregate consideration paid
		HK$	HK$	HK$'000	RMB'000
January 2012	1,468,000	0.69	0.64	992	817

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 March 2012.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 to the GEM Listing Rules throughout 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. The Audit Committee has three members comprising Mr. Gao Xingbo (Chairman), Mr. Feng Bing and Mr. Chen Shaofeng.

The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2012. 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
Lin Pintong
Chairman

Hong Kong, 14 May 2012

As at the date hereof, the Board comprises three executive Directors, namely Mr. Lin Pintong (Chairman), Mr. Ruan Deqing and Mr. Han Wenqian; two non-executive Directors, namely Mr. Wang Jianqing and Mr. Wang Fuqing; and four independent non-executive Directors, namely Mr. Gao Xingbo, Mr. Feng Bing, Mr. Chen Shaofeng and Ms. Xing Zhibin.