

# 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

For the nine months ended 30 September 2014

#### 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 2014, together with the comparative unaudited figures for the corresponding periods in 2013, are as follows:

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		Nine mont	hs ended	Three mon	ths ended
		30 Sept		30 Sept	
		2014	2013	2014	2013
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	5	81,525	125,344	28,226	40,740
Cost of sales		(61,944)	(56,452)	(18,091)	(20,894)
Gross profit		19,581	68,892	10,135	19,846
Other income and gains, net		696	1,310	168	150
Selling and distribution expenses		(27,413)	(27,149)	(9,117)	(5,254)
Administrative expenses		(28,456)	(20,714)	(10,197)	(6,283)
Other operating income		528	-	51	_
Share of profits and losses of:					
A joint venture		(307)	211	285	5
Associates		(36)	(449)	131	183
(LOSS)/PROFIT BEFORE TAX		(35,407)	22,101	(8,544)	8,647
Income tax credit/(expense)	6	5,411	(5,594)	2,632	(2,323)
(LOSS)/PROFIT FOR THE PERIOD		(29,996)	16,507	(5,912)	6,324
Attributable to:					
Owners of the Company		(29,480)	15,935	(5,803)	6,270
Non-controlling interests		(516)	572	(109)	54
		(29,996)	16,507	(5,912)	6,324
(LOSS)/EARNINGS PER SHARE					
ATTRIBUTABLE TO OWNERS					
OF THE COMPANY	8				
Basic (cents)		(4.91)	2.66	(0.97)	1.05

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

	Notos	Nine mon 30 Sept 2014 (unaudited) RMB'000	tember 2013 (unaudited)	Three mor 30 Sept 2014 (unaudited) RMB'000	tember 2013 (unaudited)
(1.000) (PROSET FOR THE PERIOR	Notes		RMB'000		RMB'000
(LOSS)/PROFIT FOR THE PERIOD  OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD:  Item that may be subsequently reclassified to profit or loss: Exchange differences on translation of foreign operations		(29,996)	16,507	(5,912) (1,340)	6,324
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(32,720)	12,277	(7,252)	5,796
Attributable to: Owners of the Company Non-controlling interests		(32,204) (516)	11,705 572	(7,143) (109)	5,742 54
		(32,720)	12,277	(7,252)	5,796

# **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 2014

	Attributable to owners of the Company									
		Share			Share		Retained profits/		Non-	
	Issued capital RMB'000	premium account RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	redemption reserve RMB'000	Exchange reserve RMB'000	(accumulated loss) RMB'000	<b>Total</b> RMB'000	controlling interests RMB'000	Total equity RMB'000
At 1 January 2013 (audited)	3,957	224,984	26,239	12,788	19	(5,545)	(34,391)	228,051	6,812	234,863
Profit for the period	-	-	_	-	-	-	15,935	15,935	572	16,507
Other comprehensive loss for the period: Exchange differences on translation of										
foreign operations	-	-	-	-	-	(4,230)	-	(4,230)	-	(4,230)
Total comprehensive income/(loss)										
for the period	_	-	_	-	-	(4,230)	15,935	11,705	572	12,277
At 30 September 2013 (unaudited)	3,957	224,984	26,239	12,788	19	(9,775)	(18,456)	239,756	7,384	247,140
At 1 January 2014 (audited) Loss for the period Other comprehensive loss for the period: Exchange differences on translation of	3,957 -	224,984	26,239	12,980 -	19 -	(5,678) -	(60,607) (29,480)	201,894 (29,480)	3,712 (516)	205,606 (29,996)
foreign operations	-	-	-	-	-	(2,724)	-	(2,724)	-	(2,724)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(2,724)	(29,480)	(32,204)	(516)	(32,720)
At 30 September 2014 (unaudited)	3,957	224,984	26,239	12,980	19	(8,402)	(90,087)	169,690	3,196	172,886

#### 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 Room 905–906, Tower 2, China Hong Kong City, 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the operation and provision of advertising services of printed media for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in Mainland China.

#### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 2013.

#### 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 2014. 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.

	Nine mon 30 Sep	ths ended tember	Three mor 30 Sep	nths ended tember
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Printed media advertising	65,964	81,505	23,960	24,804
Outdoor advertising	15,561	43,481	4,266	15,936
Audio advertising	_	358	_	_
	81,525	125,344	28,226	40,740

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Audio advertising (unaudited) RMB'000	Total (unaudited) RMB'000
For the nine months ended 30 September 2014				
Segment revenue:				
Sales to external customers	65,964	15,561	-	81,525
Segment results	20,194	(613)	-	19,581
Reconciliation:				
Bank interest income				79
Other unallocated income and gains, net				617
Share of profits and losses of:				
A joint venture				(307)
Associates				(36)
Corporate and other unallocated expenses				(55,341)
Loss before tax				(35,407)

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

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Audio advertising (unaudited) RMB'000	Total (unaudited) RMB'000
For the nine months ended 30 September 2013				
Segment revenue:				
Sales to external customers	81,505	43,481	358	125,344
Segment results	45,758	22,776	358	68,892
Reconciliation:				
Bank interest income				408
Other unallocated income and gains, net				902
Share of profits and losses of:				
A joint venture				211
Associates				(449)
Corporate and other unallocated expenses				(47,863)
Profit before tax				22,101

#### 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 period (nine months ended 30 September 2013: 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 nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

#### 7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2014 (nine months ended 30 September 2013: Nil).

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

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of RMB29,480,000 (nine months ended 30 September 2013: Profit of RMB15,935,000) and the weighted average number of ordinary shares of 600,000,000 (nine months ended 30 September 2013: 600,000,000) in issue during the period.

No diluted (loss)/earnings per share is presented for the nine months ended 30 September 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those periods.

#### 9. SHARE CAPITAL

	Number of share	Share Capital RMB'000
Authorised:		
As at 1 January 2013, 30 September 2013, 1 January 2014 and		
30 September 2014		
Ordinary shares of US\$0.001 each	40,000,000,000	263,672
Issued and fully paid:		
As at 1 January 2013, 30 September 2013, 1 January 2014 and		
30 September 2014		
Ordinary shares of US\$0.001 each	600,000,000	3,957

#### **BUSINESS REVIEW**

The principal business of the Group during the period included printed media advertising and outdoor advertising. The Group's revenue for the nine months ended 30 September 2014 amounted to approximately RMB81,525,000, representing a decrease of approximately RMB43,819,000 or 35.0% as compared to approximately RMB125,344,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB49,311,000 or 71.6% to approximately RMB19,581,000 for the nine months ended 30 September 2014 from approximately RMB68,892,000 for the corresponding period last year. The gross profit margin for the current period decreased to 24.0% from 55.0% in the corresponding period last year. The Group recorded a total comprehensive loss attributable to the owners of the Company of approximately RMB32,204,000 during the period while it recorded a total comprehensive income attributable to the owners of the Company of approximately RMB11,705,000 for the corresponding period last year.

#### **REVIEW BY SEGMENT**

Analysis of revenue, gross profit and gross profit margin by segment is as follows:

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	Revenue 30 September			Gross Profit 30 September			Gross Profit Margin 30 September	
	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	Change %	2014 (unaudited) RMB'000	2013 (unaudited) RMB'000	Change %	2014 (unaudited) %	2013 (unaudited) %
Printed media advertising Outdoor advertising Audio advertising	65,964 15,561 –	81,505 43,481 358	(19.1) (64.2) (100.0)	20,194 (613)	45,758 22,776 358	(55.9) (102.7) (100.0)	30.6 (3.9)	56.1 52.4 100.0
Total	81,525	125,344	(35.0)	19,581	68,892	(71.6)	24.0	55.0

#### **Printed Media Advertising**

Revenue from printed media advertising was the main source of revenue of the Group for the nine months ended 30 September 2014, representing approximately 80.9% thereof. It is expected that printed media advertising would remain as the principal source of income for the Group in the future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals operated by the Group and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodical distributed on all China Railway High-speed ("CRH") trains and selected regular trains in China. Revenue from "旅伴" (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 75.6% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB15,541,000 or 19.1% from approximately RMB81,505,000 for the nine months ended 30 September 2013 to approximately RMB65,964,000 for the nine months ended 30 September 2014. The decrease was mainly due to the significant decrease of the number of advertising customers of "旅伴" (Fellow Traveller) as the customers had not renewed their contract upon the expiry of the then contract period by December 2013. However, the decrease was partly offset by the increase of revenue from two periodicals, namely "都市生活" (City Life) and "上海鐵道" (Shanghai Railway) which commenced publications in mid-2013.

Gross profit from printed media advertising for the nine months ended 30 September 2014 amounted to approximately RMB20,194,000, representing a decrease of approximately 55.9% as compared to that of the corresponding period last year, which was approximately RMB45,758,000. Gross profit margin of printed media advertising decreased from approximately 56.1% for the nine months ended 30 September 2013 to approximately 30.6% for the nine months ended 30 September 2014.

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#### **Outdoor Advertising**

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations. Revenue from outdoor advertising decreased by approximately RMB27,920,000 or 64.2% from approximately RMB43,481,000 for the nine months ended 30 September 2013 to approximately RMB15,561,000 for the nine months ended 30 September 2014. The decrease was mainly due to the decrease of revenue from air traffic control towers at airports, billboards and LEDs advertising at train stations as those customers had not renewed their contract upon the expiry of the then contract period by mid-2014 and December 2013.

Gross loss from outdoor advertising for the nine months ended 30 September 2014 amounted to approximately RMB613,000 while it recorded gross profit of approximately RMB22,776,000 for the corresponding period last year. Gross loss margin from outdoor advertising was approximately 3.9% for the nine months ended 30 September 2014 as compared to a gross profit margin of approximately 52.4% for the nine months ended 30 September 2013. The significant change from profit to loss-making was mainly attributed by high fixed costs including amortisation of agency fee and printing cost of the periodicals.

#### **Audio Advertising**

Revenue from audio advertising represented the amount generated from the sales of advertising timeslots which was being part of the audio programmes 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. No revenue had been generated from audio advertising for the period under review due to the phase-out of this business following the expiry of the then existing advertising contracts with customers by March 2013, while it recorded approximately RMB358,000 for the nine months ended 30 September 2013 with gross profit margin of 100%.

#### **CONTINGENT LIABILITIES**

As at 30 September 2014, the Group did not have any significant contingent liabilities.

#### **PROSPECTS**

Looking ahead, the Group will endeavor to maintain the growth of its existing businesses and expand into diversified new businesses. With the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhuang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dalian railway, the Group will also increase the number of route-specific supplements of its printed media, which will be instrumental in the Group's sustainable growth in the development of advertising business on the railway network in China. Moreover, the Group will continue to establish sales offices in different cities in the PRC to expand its sales network, as well as to strengthen the sales and advertising teams.

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In September 2013, as part of its diversified business development strategy, the Group entered into the cooperation agreement with Beijing Ouguan Business Service Limited ("Beijing Ouguan"), which engages in media production, for the joint investment, production, marketing and distribution of a movie. Pursuant to the cooperation agreement, the Group and Beijing Ouguan shall each invest RMB30 million, with a total investment amount of RMB60 million. Through engaging in movie business, the Group can expand its business platform and expose itself to a wider scope of potential clients amid the rapid development of movie industry in China. The Group believes that the movie together with its ancillary products and marketing activities will provide more advertising channels, and bring additional revenue and business to the Group.

In order to expand into advertising business related to television, the Group cooperated with a directly owned subsidiary of China Central Television ("CCTV"), and obtained the production rights of "Geographic China", one of the programmes of CCTV's Science & Education Channel (CCTV-10). The directors of the Company (the "Directors") consider that this cooperation will further expand the Group's advertising platforms and customer base, and this new business is expected to attract high-end advertising customers and generate substantial revenue for the Group in the coming years.

Looking ahead, the Group will continue to focus on organic growth derived from its existing business segment and leverage on its competitive advantages in seeking potential opportunity of mergers and acquisitions so as to benefit from synergy in operations and to develop a more diversified advertising platform.

#### **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 2014, 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 2014, 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

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As at 30 September 2014, 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. Lin Pintong	Interest of a controlled corporation	265,500,000 ordinary Shares (Note 1)	44.25
Mr. Ruan Deqing	Interest of a controlled corporation	265,500,000 ordinary Shares (Note 2)	44.25
Mr. Han Wenqian	Interest of a controlled corporation	9,000,000 ordinary Shares (Note 3)	1.50
Mr. Wang Fuqing	Interest of a controlled corporation	45,738,000 ordinary Shares (Note 4)	7.62
	Beneficial owner	1,194,000 ordinary Shares	0.20

#### Notes:

- (1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 47.46% of the entire issued share capital of which was owned by Broad Win Limited ("Broad Win"). The entire issued share capital of Broad Win was owned by Mr. Lin Pintong ("Mr. Lin"), an executive director. Mr. Lin was deemed to be interested in all the Shares in which Broad Win was interested by virtue of the SFO. Mr. Lin was the sole director of Broad Win.
- (2) These Shares were registered in the name of Lizhong, 47.46% 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.
- (3) These Shares were registered in the name of Long Sunny Trading Limited ("Long Sunny"), the entire issued share capital of which was owned by Mr. Han Wenqian ("Mr. Han"), an executive director. Mr. Han was deemed to be interested in all the Shares in which Long Sunny was interested by virtue of the SFO. Mr. Han was the sole director of Long Sunny.
- (4) These Shares were registered in the name of Make Sense Group Limited ("Make Sense"), the entire issued share capital of which was owned by Mr. Wang Fuqing ("Mr. Wang"), a non-executive director. Mr. Wang was deemed to be interested in all the Shares in which Make Sense was interested by virtue of the SFO. Mr. Wang was the sole director of Make Sense.

Save as disclosed above, as at 30 September 2014, 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 2014, 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 (%)
Lizhong (Note 1)	Beneficial owner	265,500,000 ordinary Shares	44.25
Broad Win (Note 1)	Interest of a controlled corporation	265,500,000 ordinary Shares	44.25
Ms. Pan Xiaoying (Note 2)	Interest of spouse	265,500,000 ordinary Shares	44.25
Joint Loyal (Note 1)	Interest of a controlled corporation	265,500,000 ordinary Shares	44.25
Ms. Liu Sibin (Note 3)	Interest of spouse	265,500,000 ordinary Shares	44.25
Mr. Kazunari Shirai (Note 4)	Interest of a controlled corporation	49,362,000 ordinary Shares	8.23
Ms. Junko Shirai (Note 5)	Interest of spouse	49,362,000 ordinary Shares	8.23
Ms. Zhu Yan (Note 6)	Interest of spouse	46,932,000 ordinary Shares	7.82
Make Sense	Beneficial owner	45,738,000 ordinary Shares	7.62
Smartisian Holdings Company Ltd. (Note 7)	Beneficial owner	36,000,000 ordinary Shares	6.00
Ms. Chen Shuyu (Note 7)	Interest of a controlled corporation	36,000,000 ordinary Shares	6.00
Mr. Zhang Sheng (Note 7)	Interest of spouse	36,000,000 ordinary Shares	6.00

#### Notes:

- (1) These Shares were registered in the name of and beneficially owned by Lizhong, 47.46% and 47.46% of the entire issued share capital of Lizhong was owned by Broad Win and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was owned by Mr. Lin and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal was deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong were Mr. Lin, Mr. Ruan and Mr. Han.
- (2) Ms. Pan Xiaoying ("Ms. Pan") was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Lin was deemed, or taken to be interested in for the purposes of the SFO.

(3) Ms. Liu Sibin ("Ms. Liu") was the spouse of Mr. Ruan. Therefore, Ms. Liu was deemed, or taken to be, interested in the 265,500,000 Shares which Mr. Ruan was deemed, or taken to be interested in for the purposes of the SFO.

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- (4) Among these Shares, Sequedge Finance Inc. ("Sequedge Finance") was the beneficial owner of 29,185,701 Shares and Sequedge ASA Capital (Cayman) II Limited ("Sequedge Capital") was the beneficial owner of 20,176,299 Shares. Mr. Kazunari Shirai ("Mr. Kazunari") was 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 purposes of the SFO.
- (5) Ms. Junko Shirai ("Ms. Junko") was the spouse of Mr. Kazunari. Therefore, Ms. Junko was deemed, or taken to be, interested in all Shares which Mr. Kazunari was deemed, or taken to be interested in for the purposes of the SFO.
- (6) Among these Shares, Make Sense was the beneficial owner of 45,738,000 Shares and Mr. Wang was the beneficial owner of 1,194,000 Shares. The entire issued share capital of Make Sense was owned by Mr. Wang. Ms. Zhu Yan ("Ms. Zhu") was the spouse of Mr. Wang. Therefore, Ms. Zhu was deemed, or taken to be interested in all Shares which Mr. Wang was deemed, or taken to be interested in for the purposes of the SFO.
- (7) These Shares were registered in the name of and beneficially owned by Smartisian Holdings Company Ltd. ("Smartisian Holdings"), the entire issued share capital of which was owned by Ms. Chen Shuyu ("Ms. Chen"). Ms. Chen was deemed to be interested in all the Shares in which Smartisian Holdings was interested by virtue of the SFO. Mr. Zhang Sheng ("Mr. Zhang") was the spouse of Ms. Chen. Therefore, Mr. Zhang was deemed, or taken to be interested in all the Shares which Ms. Chen was deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 30 September 2014, 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), Mr. Chen Shaofeng and Mr. Teng Tai, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 30 September 2014. 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, 11 November 2014

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Lin Pintong and Mr. Han Wenqian; the non-executive Directors are Mr. Wang Fuqing and Mr. Wang Jianqing; and the independent non-executive Directors are Mr. Teng Tai, Mr. Chen Shaofeng and Ms. Tay Sheve Li.