



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

2015 INTERIM REPORT

RED DRAGONFLY 红蜻蜓
DESONI 柏森家具
Geya 格雅表
2015 人间指南
“我不认为削减男性权重来提高女性地位是相称的...”因为喜欢男人，所以自己不是女权主义者。
火车拉来的石家庄
这个原来只有200户的小村庄因铁路而兴，都搬到河北省会来了，依然面目依旧，到底谁在石家庄？

东方养生
颜色的故事
P70 有相机的父爱

DESONI 柏森家具
Geya 格雅表
枝繁叶茂地生活

DESONI 柏森家具
Geya 格雅表
枝繁叶茂地生活

P70 有相机的父爱
P70 有相机的父爱



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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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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ruan Deqing (*Chairman*)
Mr. Lin Pintong (retired on 8 May 2015)
Ms. Yang Kan (resigned on 4 August 2015)
Mr. Peng Lichun

Non-Executive Director

Mr. Wang Fuqing

Independent Non-Executive Directors

Ms. Tay Sheve Li
Mr. Teng Tai
Ms. Yu Shun Yan Verda

LEGAL ADVISERS

As to Hong Kong law:

Robertsons
57/F, The Centre
99 Queen's Road
Central
Hong Kong

As to PRC law:

Beijing Zhongtong Law Firm
18th Floor, Tower A, Hanzun Building
No. 29 Third Ring Road North
Xicheng District
Beijing
China

AUDITORS

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Ruan Deqing
Mr. Siu Shing Tak

COMPANY SECRETARY

Mr. Siu Shing Tak, *HKICPA, AICPA*

COMPLIANCE OFFICER

Mr. Ruan Deqing

AUDIT COMMITTEE MEMBERS

Ms. Tay Sheve Li (*Chairperson*)
Mr. Teng Tai
Ms. Yu Shun Yan Verda

REMUNERATION COMMITTEE MEMBERS

Mr. Teng Tai (*Chairman*)
Mr. Ruan Deqing
Ms. Yu Shun Yan Verda

NOMINATION COMMITTEE MEMBERS

Ms. Yu Shun Yan Verda (*Chairman*)
Mr. Teng Tai
Mr. Peng Lichun

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

12th Floor, Block B
Yonggui Centre
41 Guangqumennei Main Street
Dongcheng District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

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Tower 1
China Hong Kong City
33 Canton Road
Tsimshatsui
Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

<http://www.china33media.com>

STOCK CODE

8087

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Company and its subsidiaries (collectively, the “Group”) during the period under review included printed media advertising, outdoor advertising and money lending. The Group’s total revenue for the six months ended 30 June 2015 amounted to approximately RMB47,719,000, representing a decrease of approximately RMB5,580,000 or 10.5% as compared to approximately RMB53,299,000 for the corresponding period last year.

Overall gross profit increased by approximately RMB5,318,000 or 55.2% to approximately RMB15,162,000 for the six months ended 30 June 2015 from approximately RMB9,446,000 for the corresponding period last year. The gross profit margin for the current period increased to approximately 31.8% from approximately 17.7% in the corresponding period last year. The Group recorded a total comprehensive loss attributable to owners of the Company for the period amounted to approximately RMB16,103,000 while it recorded a total comprehensive loss attributable to owners of the Company amounted to approximately RMB25,061,000 for the corresponding period last year.

REVIEW BY SEGMENT

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

	Revenue			Gross Profit			Gross Profit Margin	
	Six months ended			Six months ended			Six months ended	
	30 June			30 June			30 June	
	2015	2014		2015	2014		2015	2014
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	(unaudited)
	RMB'000	RMB'000	Change %	RMB'000	RMB'000	Change %	%	%
Printed media advertising	38,824	42,004	(7.6)	14,125	11,094	27.3	36.4	26.4
Outdoor advertising	6,327	11,295	(44.0)	(1,488)	(1,648)	9.7	(23.5)	(14.6)
Money lending interest income	2,568	–	100.0	2,027	–	100.0	78.9	–
Total	47,719	53,299	(10.5)	14,664	9,446	(55.2)	30.7	17.7

Printed Media Advertising

Revenue from printed media advertising was the main source of revenue, representing approximately 81.4% of the Group’s total revenue for the six months ended 30 June 2015. It is expected to remain as the principal source 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 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 periodicals distributed on all China Railway High-speed (“CRH”) trains and selected regular trains in China. Revenue from “旅伴” (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 85.0% of the Group’s total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB3,180,000 or 7.6% from approximately RMB42,004,000 for the six months ended 30 June 2014 to approximately RMB38,824,000 for the six months ended 30 June 2015. The decrease was mainly due to termination of distribution of periodical “都市生活” (City Life) on trains which belongs to Wuhan Railway Bureau and the cessation of periodical “上海鐵道” (Shanghai Railway) since September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Gross profit from printed media advertising for the six months ended 30 June 2015 amounted to approximately RMB14,125,000, representing an increase of approximately 27.3% as compared to the corresponding period last year, which was approximately RMB11,094,000. Gross profit margin of printed media advertising increased from approximately 26.4% for the six months ended 30 June 2014 to approximately 36.4% for the six months ended 30 June 2015. The increase was due to termination of loss making periodical “上海鐵道” (Shanghai Railway) and cessation of distribution of loss making periodical “都市生活” (City Life) on trains under Wuhan Railway Bureau.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on the air traffic control towers at various airports, billboards and LEDs installed at certain selected train stations. Revenue from outdoor advertising decreased by approximately RMB4,968,000 or 44.0% from approximately RMB11,295,000 for the six months ended 30 June 2014 to approximately RMB6,327,000 for the six months ended 30 June 2015. The decrease was mainly contributed by early termination of advertising on billboards and LEDs installed at train stations which are loss making and no new contracts were entered for advertising on air traffic control towers.

Gross loss from outdoor advertising for the six months ended 30 June 2015 amounted to approximately RMB1,488,000 while it was approximately RMB1,648,000 for the corresponding period last year. Gross loss margin of outdoor advertising was 23.5% for the six months ended 30 June 2015 as compared to 14.6% for the six months ended 30 June 2014. The decrease in gross profit and gross profit margin was mainly attributable to the decrease of revenue from billboards and LEDs advertising, while cost of sales remained high due to fixed amount of the amortization of installation and construction cost of outdoor advertising spaces at various railway stations.

Money Lending Interest Income

Revenue from money lending business represented interest income from provision of mortgage loans and short-term loans in Hong Kong. This is the new operating segment since late 2014. Revenue from money lending business was approximately RMB2,568,000 for period, with gross profit of approximately RMB2,027,000, after deducting staff cost, and gross profit margin of approximately 78.9%. The revenue is generated from recurring interest income of loans made in 2014, thus results in a high gross profit margin.

Cost of Sales

Cost of sales decreased from approximately RMB43,853,000 for the six months ended 30 June 2014 to approximately RMB32,557,000 for the current period, representing a decrease of approximately 25.8%. The decrease was mainly attributable to cessation of periodical “上海鐵道” (Shanghai Railway) in 2015; early termination of agency contracts for air traffic control towers at various airports in late 2014 and reduction in agency cost as result of cessation of distribution of periodical “都市生活” (City Life) on trains under Wuhan Railway Bureau.

Other Losses and Gains, Net

Other losses and gains, net decreased from gain of approximately RMB528,000 for the six months ended 30 June 2014 to loss of approximately RMB2,081,000 in the current period, mainly due to provision of allowance for bad and doubtful debts for loan receivables.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 28.0% from approximately RMB18,296,000 for the six months ended 30 June 2014 to approximately RMB13,177,000 for the current period, primarily due the decrease in sales commission as a result of decrease in sales, and reduce in salary due to reduction in the headcount of sales staff.

Administrative Expenses

Administrative expenses increased by approximately 5.0% from approximately RMB18,259,000 for the six months ended 30 June 2014 to approximately RMB19,176,000 for the current period, primarily due to the payroll expense incurred for new staff in Hong Kong for the new prepaid card and money lending business.

Income Tax

There was an income tax expense of approximately RMB1,383,000 for the six months ended 30 June 2015 as compared to income tax credit of approximately RMB2,779,000 resulting from loss for the corresponding period last year.

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents, including bank deposits and cash on hand, and short-term bank deposits with original maturities not exceeding three months, amounted to approximately RMB56,613,000, representing a net increase of approximately RMB16,473,000 as compared to the position as at 31 December 2014.

As at 30 June 2015, the current ratio was approximately 2.95 (as at 31 December 2014: 2.61) and gearing ratio of the Group was approximately 0.24 (as at 31 December 2014: 0.04) which was calculated based on the Group's net debt divided by the equity attributable to owners of the Company plus net debt. The Group satisfied its working capital needs principally from internally generated cash flow from operating activities.

Pledge of Assets

As at 30 June 2015, the Group has approximately RMB15,276,000 pledged bank deposits to secure banking facilities, denominated in Renminbi and Hong Kong Dollars (as at 31 December 2014: RMB14,952,000).

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant contingent liabilities (as at 31 December 2014: nil).

Capital Commitments

As at 30 June 2015, the Group did not have any significant capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Total Comprehensive Loss Attributable to Owners of the Company and Net Loss Margin

Total comprehensive loss attributable to the owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB16,103,000 as compared to approximately RMB25,061,000 in the corresponding period last year. Net loss margin of the Group for the six months ended 30 June 2015 was approximately 45.5% as compared to approximately 45.2% for the corresponding period last year.

Capital Structure

During the period under review, the Group had net assets of approximately RMB152,112,000 (31 December 2014: approximately RMB147,287,000), comprising non-current assets of approximately RMB62,804,000 (31 December 2014: approximately RMB64,343,000), and current assets of approximately RMB135,118,000 (31 December 2014: approximately RMB134,360,000). The Group recorded a net current asset position of approximately RMB89,308,000 (31 December 2014: approximately RMB82,944,000), which primarily consists of cash and bank equivalents amounted to approximately RMB56,613,000 (31 December 2014: approximately RMB40,140,000), trade receivables amounted to approximately RMB20,751,000 (31 December 2014: approximately RMB16,543,000) and prepayments, deposits and other receivables amounted to approximately RMB34,682,000 (31 December 2014: approximately RMB29,558,000). Major current liabilities are trade payables and other payables and accruals and amounted to approximately RMB25,094,000 (31 December 2014: approximately RMB26,519,000) and approximately RMB14,958,000 (31 December 2014: approximately RMB19,854,000), respectively. The Group had no bank borrowings as at 30 June 2015 (31 December 2014: Nil).

Foreign Exchange Risk

The Group mainly operates in the People's Republic of China (the "PRC") with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars and United States Dollars, plus a pledged bank deposit denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant. During the period under review, the Group did not hedge any exposure in foreign currency risk.

Human Resources

As at 30 June 2015, the Group had a total of 339 employees (as at 30 June 2014: 404 employees) situated in the PRC and Hong Kong. The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the period under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB20,255,000 (six months ended 30 June 2014: RMB20,650,000).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Prospects

Looking ahead, the Group will endeavor to maintain the growth of our existing businesses and expand into diversified new businesses. With the commencement of the four main railway routes, namely Beijing-Shijiazhuang railway, Shijiazhang-Wuhan railway, Ningbo-Hangzhou railway and Harbin-Dailian railway, the Group will also increase the number of route-specific supplements of our printed media, which will be instrumental to the Group's sustainable growth in the development of advertising business on the railway network in China. Moreover, the Group will continue to establish sales offices in different cities in the PRC to expand our sales network, as well as to strengthen our sales and advertising teams. In late 2014, the Group obtained the Mastercard prepaid card license and launched the "373 prepaid card" in mid 2015. The Group believes that the prepaid card products will further strengthen our brand as it is targeted towards the same audience as our magazine, "Fellow Travelers", who are generally active travelers abroad, and will create synergy amongst the two products.

As part of our diversified business development strategy, the Group entered into the cooperation agreement with Beijing Ouguan Business Service Limited ("Beijing Ouguan"), which engages in media production, at September 2013, for the joint investment, production, marketing and distribution of a movie. Through engaging in movie business, the Group can expand its business platform and expense itself to a wider scope of potential clients with the rapid development of movie industry. The Group believes that the movie together with its ancillary products and marketing activities would provide more advertising channels, and bring additional revenue and business.

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). This cooperation will further expand the Group's advertising platforms and customer base. It is expected that this new business can attract high-end advertising platform.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period under review, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2015, 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 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 six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2015, 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 (the "Shares")

Name of director	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Ruan Deqing	Interest of a controlled corporation	192,000,300 ordinary Shares (Note 1)	26.67
Mr. Wang Fuqing	Interest of a controlled corporation	45,738,000 ordinary Shares (Note 2)	6.35
	Beneficial owner	1,194,000 ordinary Shares	0.17

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.
- (2) 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 June 2015, 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 or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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

So far as is known to the Directors, as at 30 June 2015, 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	192,000,300	26.67
Broad Win Limited (Note 1)	Interest of a controlled corporation	192,000,300	26.67
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	192,000,300	26.67
Ms. Pan Xiaoying (Note 2)	Interest of spouse	192,000,300	26.67
Joint Loyal (Note 1)	Interest of a controlled corporation	192,000,300	26.67
Ms. Liu Sibin (Note 3)	Interest of spouse	192,000,300	26.67
Adamas Asset Management (HK) Limited (Note 4)	Investment manager	192,000,000	26.67
New Express Investment Limited (Note 5)	Beneficial owner	113,622,000	15.78
China Investment and Finance Group Limited (Note 6)	Interest of a controlled corporation	113,622,000	15.78
Ms. Zhu Yan (Note 7)	Interest of spouse	46,932,000	6.52
Make Sense	Beneficial owner	45,738,000	6.35

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

- (1) These Shares were registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong was owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal was 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 was deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong were Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("Ms. Pan") was the spouse of Mr. Lin. Therefore, Ms. Pan was deemed, or taken to be, interested in the 192,000,300 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 192,000,300 Shares which Mr. Ruan was deemed, or taken to be interested in for the purposes of the SFO.
- (4) On 21 January 2015, Lizhong, as borrower, entered into a loan agreement with an independent third party, Adamas Asset Management (HK) Limited ("Adamas Asset Management"), as lender, for a term loan for its own business purpose which is secured by a share charge of 192,000,000 Shares owned by Lizhong in favour of the lender.
- (5) A total of 120,000,000 Shares have been successfully subscribed by New Express Investment Limited ("New Express Investment") on 22 April 2015 at the subscription price of HK\$0.22 per subscription share.
- (6) These Shares were registered in the name of and beneficially owned by New Express Investment, the entire issued share capital of which was owned by China Investment and Finance Group Limited ("China Investment"). China Investment was deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.
- (7) 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.

Save as disclosed above, as at 30 June 2015, 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 of the Company (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 30 June 2015, the Audit Committee comprises Ms. Tay Sheve Li (Chairman), Mr. Teng Tai and Ms. Yu Shun Yan Verda, all being independent non-executive directors.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

The Audit Committee has reviewed the unaudited results of the Group for the six months ended 30 June 2015. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board
China 33 Media Group Limited
Ruan Deqing
Chairman and Executive Director

Hong Kong, 14 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated results of China 33 Media Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months and three months ended 30 June 2015, together with the comparative unaudited figures for the corresponding period in 2014, are as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
REVENUE	4	47,719	53,299	22,679	25,541
Cost of sales		(32,557)	(43,853)	(15,402)	(19,964)
Gross profit		15,162	9,446	7,277	5,577
Other (expense)/income		(1,013)	477	(64)	477
Other (losses) and gains, net	4	(2,081)	528	(1,863)	2
Selling and distribution expenses		(13,177)	(18,296)	(5,100)	(7,397)
Administrative expenses		(19,176)	(18,259)	(10,857)	(8,932)
Share of profits and losses of:					
A joint venture		(4)	(592)	526	147
Associates		(50)	(167)	(49)	(45)
LOSS BEFORE TAX	5	(20,339)	(26,863)	(10,130)	(10,171)
Income tax (expense)/credit	6	(1,383)	2,779	(1,083)	2,642
LOSS FOR THE PERIOD		(21,722)	(24,084)	(11,213)	(7,529)
Attributable to:					
Owners of the Company		(20,549)	(23,677)	(10,091)	(7,355)
Non-controlling interests		(1,173)	(407)	(1,122)	(174)
		(21,722)	(24,084)	(11,213)	(7,529)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8				
Basic (cents)		(3.18)	(3.95)	(1.46)	(1.23)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

Notes	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
LOSS FOR THE PERIOD	(21,722)	(24,084)	(11,213)	(7,529)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD:				
Items that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of foreign operations	4,446	(1,384)	3,647	234
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(17,276)	(25,468)	(7,566)	(7,295)
Attributable to:				
Owners of the Company	(16,103)	(25,061)	(6,444)	(7,121)
Non-controlling interests	(1,173)	(407)	(1,122)	(174)
	(17,276)	(25,468)	(7,566)	(7,295)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

		30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
	Notes		
Non-current assets			
Property, plant and equipment	9	15,508	11,468
Other non-current assets		5,753	7,510
Interest in a joint venture		1,562	1,566
Interests in associates		6,189	6,239
Prepayments and deposits		25,461	25,671
Loans receivables		5,252	8,810
Trade receivables	10	3,079	3,079
		62,804	64,343
Current assets			
Loans receivables		7,796	33,167
Trade and bills receivables	10	20,751	16,543
Prepayments, deposits and other receivables		34,682	29,558
Pledged bank deposits		15,276	14,952
Short-term bank deposits		–	10,350
Cash and cash equivalents		56,613	29,790
		135,118	134,360
Current liabilities			
Trade payables	11	25,094	26,519
Other payables and accruals		14,958	19,854
Amount due to an associate		3,000	3,000
Tax payable		2,758	2,043
		45,810	51,416
Net current assets		89,308	82,944
Total assets less current liabilities		152,112	147,287
Net assets		152,112	147,287

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Capital and reserves			
Share capital	12	4,700	3,957
Reserves		142,198	137,943
Equity attributable to owners of the Company		146,898	141,900
Non-controlling interests		5,214	5,387
Total equity		152,112	147,287

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Statutory reserve	Share redemption reserve	Exchange reserve	Accumulated loss	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (audited)	3,957	224,984	26,239	12,980	19	(5,678)	(60,607)	201,894	3,712	205,606
Loss for the period	-	-	-	-	-	-	(23,677)	(23,677)	(407)	(24,084)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,384)	-	(1,384)	-	(1,384)
Total comprehensive loss for the period	-	-	-	-	-	(1,384)	(23,677)	(25,061)	(407)	(25,468)
At 30 June 2014 (unaudited)	3,957	224,984	26,239	12,980	19	(7,062)	(84,284)	176,833	3,305	180,138
At 1 January 2015 (audited)	3,957	224,984	26,239	13,174	19	(6,549)	(119,924)	141,900	5,387	147,287
Loss for the period	-	-	-	-	-	-	(20,549)	(20,549)	(1,173)	(21,722)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	4,446	-	4,446	-	4,446
Total comprehensive loss for the period	-	-	-	-	-	4,446	(20,549)	(16,103)	(1,173)	(17,276)
Issue of subscription shares	743	20,358	-	-	-	-	-	21,101	-	21,101
Capital contribution by a non-controlling interest of a subsidiary	-	-	-	-	-	-	-	-	1,000	1,000
At 30 June 2015 (unaudited)	4,700	245,342	26,239	13,174	19	(2,103)	(140,473)	146,898	5,214	152,112

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	(5,640)	(59,920)
Net cash from/(used in) investing activities	9,002	(14,928)
Net cash from financing activities	21,101	50
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	24,463	(74,798)
Cash and cash equivalents at beginning of period	29,790	105,459
Effect of foreign exchange rate changes, net	2,360	(871)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	56,613	29,790

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 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 on air traffic control towers at airports, trains and railway stations in the PRC as well as provision of mortgage loans and short term loans 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 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.

Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period ended 30 June 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company's, 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of 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/(accumulated loss), as appropriate.

The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments and measurement of segment profits based on the internal reports to the executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment. The Group's reportable and operating segments are as follows:

- (a) printed media advertising: sale of advertising spaces in magazines distributed in certain train services in the PRC;
- (b) outdoor advertising: sale of outdoor advertising spaces, mainly in the form of light boxes, at certain airport towers and certain railway stations in the PRC; and
- (c) money lending: provision of mortgage loans and short-term loans in Hong Kong.

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Money lending (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2015				
Segment revenue:				
Sales to external customers	38,824	6,327	2,568	47,719
Segment results	14,125	(1,488)	2,027	14,664
<i>Reconciliation:</i>				
Bank interest income				627
Unallocated other income, other gains and losses, net				(3,721)
Share of profits and losses of:				
A joint venture				(4)
Associates				(50)
Corporate and other unallocated expenses				(31,855)
Loss before tax				(20,339)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (continued)

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Money lending (unaudited) RMB'000	Total (unaudited) RMB'000
For the six months ended 30 June 2014				
Segment revenue:				
Sales to external customers	42,004	11,295	–	53,299
Segment results	11,094	(1,648)	–	9,446
<i>Reconciliation:</i>				
Bank interest income				65
Unallocated other income and gains, net				463
Share of profits and losses of:				
A joint venture				(592)
Associates				(167)
Corporate and other unallocated expenses				(36,078)
Loss before tax				(26,863)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE, OTHER LOSSES AND GAINS, NET

Revenue, which is also the Group's turnover, represents the advertising income, net of business tax and interest income. An analysis of revenue and other losses and gains, net, is as follows:

	Six months ended		Three months ended	
	30 June		30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Revenue				
Printed media advertising income	39,615	42,959	20,221	21,846
Outdoor advertising income	6,456	11,552	1,918	4,287
Money lending interest income	2,568	–	907	–
	48,639	54,511	23,046	26,133
Less: Business tax	(920)	(1,212)	(367)	(592)
Total	47,719	53,299	22,679	25,541
Other losses and gains, net				
Bank interest income	627	65	159	27
Provision of allowance for bad and doubtful debts for loan receivable	(2,120)	–	(2,120)	–
Others	(588)	463	98	(25)
Total	(2,081)	528	(1,863)	2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Depreciation	628	581	337	322
Amortisation of intangible assets	—	55	—	27
Amortisation of other non-current asset	2,272	2,560	1,136	1,280
Minimum lease payments under operating leases on land and buildings	2,759	2,910	1,467	1,433
Employee benefit expense (including directors' remuneration):				
Wages and salaries	18,403	18,513	8,984	8,038
Pension scheme contributions*	1,852	2,137	985	1,026
Total employee benefit expense	20,255	20,650	9,969	9,064

* As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

6. INCOME TAX EXPENSE/(CREDIT)

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 (six months ended 30 June 2014: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rate, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the Law of the PRC on Enterprise Income Tax, the PRC Enterprise Income tax rate of all the PRC subsidiaries is 25%.

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Current — the PRC				
Charge for the period	1,985	1,181	1,500	1,253
Deferred tax credit	(602)	(3,960)	(417)	(3,895)
Total tax expense/(credit) for the period	1,383	(2,779)	1,083	(2,642)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the loss for the period attributable to owners of the Company of RMB20,549,000 (six months ended 30 June 2014: RMB23,677,000) and the weighted average number of ordinary shares of 646,409,000 (six months ended 30 June 2014: 600,000,000) in issue during the period.

No diluted loss per share is presented for the six months ended 30 June 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Net carrying amount at 1 January	11,468	7,330
Additions	4,139	4,248
Disposals	(99)	(110)
Net carrying amount at the period/year end	15,508	11,468

10. TRADE AND BILLS RECEIVABLES

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Trade and bills receivables	53,567	48,759
Less: Accumulated allowances	(29,737)	(29,137)
	23,830	19,622
Analysed as:		
Current	20,751	16,543
Non-current (Note)	3,079	3,079
	23,830	19,622

Note: The Group provided advertising services to certain property developers. The consideration for such advertising services being recognised as non-current trade receivables as at 30 June 2015 amounting to RMB3,079,000 (31 December 2014: RMB3,079,000) has been agreed to be settled by certain residential properties in the PRC. The Group has not obtained physical possession of these properties as at 30 June 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. TRADE AND BILLS RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 180 days.

As at 30 June 2015, an aged analysis of the trade receivables, net of allowance for bad and doubtful debts presented based on the respective dates on which revenue was recognised and aged analysis of bills receivable presented based on the date of issuance of bills, are as follows:

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Trade Receivables:		
Within 3 months	12,183	9,782
3 to 6 months	3,548	2,620
6 months to 1 year	2,050	2,347
Over 1 year	6,049	4,309
	23,830	19,058
Bill Receivables:		
With 90 days	–	282
91–180 days	–	252
181–365 days	–	30
	–	564
	23,830	19,622

11. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2015, based on the invoice date, is as follows:

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Within 3 months	3,585	785
3 to 6 months	349	3,946
Over 6 months	21,160	21,788
	25,094	26,519

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. SHARE CAPITAL

	Note	Number of share	Share Capital RMB'000
Ordinary shares of US\$0.001 each			
Authorised:			
As at 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015		40,000,000,000	263,672
Issued and fully paid:			
As at 1 January 2014, 30 June 2014 and 1 January 2015		600,000,000	3,957
Issue of subscription shares	(a)	120,000,000	743
As at 30 June 2015		720,000,000	4,700

- (a) On 10 April 2015, the Company entered into a subscription agreement with New Express Investment, an independent third party, pursuant to which, the Company agreed to issue and New Express Investment agreed to subscribe, in cash, for 120,000,000 new shares of the Company at a subscription price of HK\$0.22 per share. All the conditions of the subscription were fulfilled and the completion of the subscription took place on 22 April 2015 in accordance with the terms and conditions of the subscription agreement.

13. OPERATING LEASE COMMITMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms of one to five years.

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Within 1 year	5,777	4,058
After 1 year but within 5 years	3,390	4,222
	9,167	8,280

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13 above, the Group had the following commitments at the end of the reporting period:

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Contracted, but not provided for:		
Agency fees for printed media and outdoor advertising	48,892	69,225
	48,892	69,225

At the end of the reporting period, the Company did not have any significant commitments (31 December 2014: Nil).

15. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid/payable to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June 2015 (unaudited) RMB'000		Three months ended 30 June 2015 (unaudited) RMB'000	
		2014 (unaudited) RMB'000		2014 (unaudited) RMB'000
Short term employee benefit	1,531	1,664	710	949
Post employment benefit	32	31	14	12
	1,563	1,695	724	96