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中國三三傳媒集團有限公司
CHINA 33 MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8087)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

The board (“**Board**”) of directors (“**Directors**”) of China 33 Media Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited results of the Group for the three months ended 31 March 2018. This announcement, containing the full text of the 2018 first quarterly report of the Company, complies with the relevant requirements of the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of quarterly results.

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

Hong Kong, 11 May 2018

As at the date of this announcement, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Peng Lichun and Mr. Ma Pun Fai; and the independent non-executive Directors are Ms. Tay Sheve Li, Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and the Company’s website at www.china33media.com.



CHINA 33 MEDIA GROUP LIMITED
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First Quarterly
Report
2018



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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report for which the directors (the “Directors”) of China 33 Media Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

FIRST QUARTERLY RESULTS

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017, are as follows:

| | <i>Notes</i> | Three months ended 31 March | |
|---|--------------|---|--------------------------------|
| | | 2018 (unaudited) RMB'000 | 2017 (unaudited) RMB'000 |
| REVENUE | 5 | 15,150 | 12,128 |
| Cost of sales | | (10,008) | (6,783) |
| Gross profit | | 5,142 | 5,345 |
| Other income | | 29 | 522 |
| Other losses and gains, net | | (1,640) | (1,116) |
| Selling and distribution expenses | | (2,115) | (4,041) |
| Administrative expenses | | (4,884) | (8,454) |
| Share of results of a joint venture | | (3) | (52) |
| LOSS BEFORE TAXATION | | (3,471) | (7,796) |
| Taxation | 6 | (17) | (42) |
| LOSS FOR THE PERIOD | | (3,488) | (7,838) |
| OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | (3,333) | (4,315) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD | | (6,821) | (12,153) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

| | <i>Notes</i> | Three months ended 31 March | |
|---|--------------|--------------------------------|--------------------------------|
| | | 2018 (unaudited) RMB'000 | 2017 (unaudited) RMB'000 |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (3,631) | (7,624) |
| Non-controlling interests | | 143 | (214) |
| | | (3,488) | (7,838) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (6,964) | (11,939) |
| Non-controlling interests | | 143 | (214) |
| | | (6,821) | (12,153) |
| | | RMB cents | RMB cents |
| Loss per share | | | |
| Basic and diluted | 8 | (0.06) | (0.13) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

| | Attributable to owners of the Company | | | | | | | | | Non- controlling interests | Total equity |
|--|---------------------------------------|------------------|--------------------|----------------------|--------------------------------|---------------------|----------------------------|-----------------------|----------------|----------------------------------|-----------------|
| | Issued capital | Share premium | Capital reserve | Statutory reserve | Share redemption reserve | Exchange reserve | Share option reserve | Accumulated losses | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 (audited) | 36,721 | 626,521 | 26,239 | 13,174 | 19 | 31,651 | 2,481 | (217,616) | 519,190 | (2,519) | 516,671 |
| Loss for the period | - | - | - | - | - | - | - | (7,624) | (7,624) | (214) | (7,838) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (4,315) | - | - | (4,315) | - | (4,315) |
| Total comprehensive expense for the period | - | - | - | - | - | (4,315) | - | (7,624) | (11,939) | (214) | (12,153) |
| At 31 March 2017 (unaudited) | 36,721 | 626,521 | 26,239 | 13,174 | 19 | 27,336 | 2,481 | (225,240) | 507,251 | (2,733) | 504,518 |
| At 1 January 2018 (audited) | 36,721 | 626,521 | 26,239 | 13,174 | 19 | (1,358) | 7,288 | (253,650) | 454,954 | (4,666) | 450,288 |
| Loss for the period | - | - | - | - | - | - | - | (3,631) | (3,631) | 143 | (3,488) |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (3,333) | - | - | (3,333) | - | (3,333) |
| Total comprehensive expense for the period | - | - | - | - | - | (3,333) | - | (3,631) | (6,964) | 143 | (6,821) |
| At 31 March 2018 (unaudited) | 36,721 | 626,521 | 26,239 | 13,174 | 19 | (4,691) | 7,288 | (257,281) | 447,990 | (4,523) | 443,467 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of the Hong Kong Limited (the "GEM Listing Rules"). The condensed consolidated financial statements have been prepared under the historical cost basis. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group's audited financial statements for the year ended 31 December 2017.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTINGS STANDARDS ("IFRSs")

In the current period, the Group has applied a number of new and revised IFRSs issued by the IASB that are relevant to the Group and effective for accounting periods beginning on or after 1 January 2018. The application of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

The Group has not early applied the new and revised IFRSs that have been issued but are not yet effective. The directors anticipate that the application of the new and revised IFRSs will have no material impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

5. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the advertising income, revenue from distribution of film rights and profit sharing from concerts, as well as transaction fees and card related fees earned from the use of the prepaid cards.

| | Three months ended 31 March | |
|--|---|---|
| | 2018 (unaudited) RMB'000 | 2017 (unaudited) RMB'000 |
| An analysis of the Group's revenue for the period is as follows: | | |
| Printed media advertising income | 7,093 | 9,828 |
| Outdoor advertising income | 2,352 | 1,815 |
| Film and entertainment investment income | 4,170 | – |
| Prepaid card income | 1,535 | 485 |
| | 15,150 | 12,128 |

| | Printed media advertising (unaudited) RMB'000 | Outdoor advertising (unaudited) RMB'000 | Film and entertainment investment (unaudited) RMB'000 | Prepaid card (unaudited) RMB'000 | Total (unaudited) RMB'000 |
|--|--|--|---|---|---------------------------------|
| For the three months ended 31 March 2018 | | | | | |
| Segment revenue: | | | | | |
| Revenue – external customers | 7,093 | 2,352 | 4,170 | 1,535 | 15,150 |
| Segment profit/(loss) | 3,628 | 1,134 | 362 | (2,880) | 2,244 |
| <i>Reconciliation:</i> | | | | | |
| Bank interest income | | | | | 29 |
| Unallocated other income, other losses and gains, net | | | | | (1,643) |
| Share of results of a joint venture | | | | | (3) |
| Corporate and other unallocated expenses | | | | | (4,098) |
| Loss before taxation | | | | | (3,471) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

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

6. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2018 (three months ended 31 March 2017: Nil). Taxes on profits assessable in the People's Republic of China (the "PRC") have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

7. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

8. LOSS PER SHARE

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

| | Three months ended 31 March | |
|---|---|---|
| | 2018 (unaudited) RMB'000 | 2017 (unaudited) RMB'000 |
| Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company) | (3,631) | (7,624) |

| | Number of shares Three months ended 31 March | |
|---|---|----------------------|
| | 2018 '000 | 2017 '000 |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 5,760,000 | 5,760,000 |

The incremental shares from assumed exercise of share options granted by the Company were excluded in calculating the diluted loss per share during the three months ended 31 March 2018 because they were antidilutive in calculating the diluted loss per share.

The computation of basic loss per share does not assume the exercise of the share options because the exercise prices of these options were higher than the average market price of the Company's shares for the three months ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising, film and entertainment investment and prepaid card business. The Group's total revenue for the three months ended 31 March 2018 amounted to approximately RMB15,150,000, representing an increase of approximately RMB3,022,000 or 24.9% as compared to approximately RMB12,128,000 for the corresponding period of last year.

Overall gross profit decreased slightly by approximately RMB203,000 or 3.8% to approximately RMB5,142,000 for the three months ended 31 March 2018 from approximately RMB5,345,000 for the corresponding period of last year. The gross profit margin for the current period decreased to 33.9% from 44.1% for the corresponding period of last year. The total comprehensive expense for the period attributable to owners of the Company amounted to approximately RMB6,964,000, representing a decrease of approximately 41.7% from approximately RMB11,939,000 for the corresponding period of last year.

REVIEW BY SEGMENT

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

| | Revenue | | | Segment profit/(loss) | | | Segment profit/(loss) margin | |
|-----------------------------------|--------------------|---------------|-------------|-----------------------|--------------|-------------|------------------------------|-------------|
| | Three months ended | | | Three months ended | | | Three months ended | |
| | 31 March | | | 31 March | | | 31 March | |
| | 2018 | 2017 | Change % | 2018 | 2017 | Change % | 2018 | 2017 |
| (unaudited) | (unaudited) | (unaudited) | | (unaudited) | (unaudited) | | (unaudited) | (unaudited) |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | | % | % |
| Printed media advertising | 7,093 | 9,828 | (27.8) | 3,628 | 5,452 | (33.5) | 51.1 | 55.5 |
| Outdoor advertising | 2,352 | 1,815 | 29.6 | 1,134 | 644 | 76.1 | 48.2 | 35.5 |
| Film and entertainment investment | 4,170 | – | 100.0 | 362 | (481) | (175.3) | 8.7 | (100.0) |
| Prepaid card | 1,535 | 485 | 216.5 | (2,880) | (3,666) | (21.4) | (187.6) | (755.9) |
| Total | 15,150 | 12,128 | 24.9 | 2,244 | 1,949 | 15.1 | 14.8 | 16.1 |

Printed Media Advertising

Revenue from printed media advertising was one of the main sources of revenue of the Group for the three months ended 31 March 2018, representing approximately 46.8% thereof. With establishment of film and entertainment investment and downsizing of the printed media advertising business, it is expected that the significance of printed media advertising income to the Group will drop, but will still remain as one of the principal sources of income in the near future. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals and was recognised upon the publication of the periodicals in which the respective advertisement was placed. “旅伴” (Fellow Traveller) is monthly nationwide periodicals distributed on China Railway High-speed (“CRH”) trains and selected regular trains in China. Revenue from “旅伴” (Fellow Traveller) was the only source of revenue for the period under review from printed media advertising.

Revenue from printed media advertising decreased by approximately RMB2,735,000 or 27.8% from approximately RMB9,828,000 for the three months ended 31 March 2017 to approximately RMB7,093,000 for the three months ended 31 March 2018. The decrease was mainly due to decrease in number of customers for periodical “旅伴” (Fellow Traveller) and no revenue generated from other magazine in the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment profit from printed media advertising for the three months ended 31 March 2018 amounted to approximately RMB3,628,000, representing a decrease of approximately 33.5% as compared to the corresponding period of last year, which was approximately RMB5,452,000. The decrease in segment profit was mainly due to less revenue generated. The segment profit margin of printed media advertising remains similar to that of correspondent period last year, which was approximately 55.5% for the three months ended 31 March 2017 while it was approximately 51.1% for the three months ended 31 March 2018.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from sales of advertising spaces on billboards and LEDs installed at certain selected train stations and revenue from holding advertising campaigns at train stations. Revenue from outdoor media advertising increased by approximately RMB537,000 or 29.6% from approximately RMB1,815,000 for the three months ended 31 March 2017 to approximately RMB2,352,000 for the three months ended 31 March 2018. The increase in revenue was due to more income contributed by advertising campaigns.

Segment profit from outdoor advertising for the three months ended 31 March 2018 amounted to approximately RMB1,134,000, representing an increase of approximately 76.1% as compared to the corresponding period last year, which was approximately RMB644,000. Segment profit margin of outdoor advertising increased from approximately 35.5% for the three months ended 31 March 2017 to approximately 48.2% for the three months ended 31 March 2018. The improvement in both segment profit and margin was due to increase in revenue generated from station campaign which has higher profit margin.

Film and Entertainment Investment

Revenue from film and entertainment investment represents profit sharing on box office of movies and concerts and distribution income of film rights and television drama. Revenue from the distribution of film rights and entertainment was recognised when (i) the Group's entitlement to such payments has been established which was upon the delivery of the master copy or materials to the customers, and (ii) the collectability of proceeds was reasonably assured. This segment contributed first revenue to the Group in second quarter of 2017. Revenue from film and entertainment investment was expected to be one of the main sources of income for the Group in future. For the three months ended 31 March 2018, revenue from film and entertainment investment was approximately RMB4,170,000, segment profit was approximately RMB362,000 and profit margin was approximately 8.7%.

Prepaid Card

The Group obtained the Stored Value Facilities License ("SVF License") in November 2016, and started generating income from the new business in 2016. Revenue from prepaid card mainly represent the transaction fees recognised when the prepaid cardholders made payments of fares using the prepaid card and the card related fees when the service is provided. Revenue from prepaid card started from late 2016, therefore there was a jump for the three months ended 31 March 2018 from approximately RMB485,000 to approximately RMB1,535,000, representing an increase of 216.5%. This was due to increase in both number and amount of prepaid card sold during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment loss from prepaid card for the three months ended 31 March 2018 amounted to approximately RMB2,880,000, representing a decrease of approximately RMB786,000 as compared to the corresponding period last year, which was approximately RMB3,666,000. Segment loss margin of prepaid card also dropped significantly from approximately 755.9% for the three months ended 31 March 2017 to approximately 187.6% for the three months ended 31 March 2018. The decrease in segment profit and segment margin was mainly due to first quarter of 2017 was still the start up stage of the company with huge investment but limited revenue, while less investment on system and manpower was needed in 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any significant contingent liabilities (as at 31 March 2017: nil).

PROSPECTS

The cultural and media industry throughout the world, and especially in the People's Republic of China (the "PRC") is presented with a huge opportunity. China has become the world's second largest film market country. With mature online and offline entertainment platforms, PRC's content demand is soaring in a historical rate. In 2017 and 2016, the total box office in PRC is RMB55.9 billions and RMB45.7 billions respectively. PRC movie attendance reached 1.6 billion and 1.3 billion in 2017 and 2016 respectively. We are committed to delivering quality entertainment content. We select, evaluate and produce good film and TV projects. We also pursue the opportunity to co-invest in various film projects led by other studios.

Players of alternative payment were very active in Hong Kong in 2017, striving to establish a solid foothold in this highly competitive market. E-Wallet and mobile payment were rapidly gaining popularity. Players like Alipay and WeChat were giving out attractive incentives with heavy advertising and introducing new usage occasions (e.g. taxi, wet market) to compete and capture market share. Local players like Hong Kong Telecom (HKT), Octopus and TNG were also adding values to their products and services to grow and stay competitive in the market. The Hongkong and Shanghai Banking Corporation (HSBC) launched PayMe focusing on P2P payment. In addition to the stored value facilities licensees, card associations and mobile phone companies were also actively joining in the competitive landscape of alternative payment industry.

Hong Kong has entered a new age of payment. The industry is growing fast with e-Wallet and mobile payment being the key area in 2017. To support the industry growth, Hong Kong Monetary Authority (HKMA) is going to launch the Faster Payment System in September 2018 to facilitate real-time payment services, allowing banks and stored value facility operators to provide real-time credit transfer and direct debit services.

In 2018, we will creatively leverage on the strength of our core products, the technology and the facilities available in the industry to develop value-added and innovative solutions for our target customers. Despite the industry's key players are large and giant corporations, we believe we will be able to carve out a niche for ourselves in the market with our effective product and market strategies.

For the printed media business, in view that (i) the traditional printed media business has been decreasing since the year ended 31 December 2014; and (ii) the gradual shift of business focus from traditional media to new media opportunities in order to diversify the Group's existing businesses, we decided to down size the distribution of the printed periodical business following the expiry of the then cooperation agreement on 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2018, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective associates (as defined in GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

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

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary Shares of the Company

| Name of director | Nature of interest | Number of Shares held | Approximate percentage of shareholding (%) |
|------------------|--------------------------------------|---|--|
| Mr. Ruan Deqing | Interest of a controlled corporation | 576,020,000 ordinary Shares (Note 1) | 10.00 |

Notes:

- (1) These Shares are registered in the name of Lizhong Limited ("Lizhong"), 48.73% of the entire issued share capital of which is owned by Joint Loyal Limited ("Joint Loyal"). The entire issued share capital of Joint Loyal is owned by Mr. Ruan Deqing ("Mr. Ruan"), an executive director. Mr. Ruan is deemed to be interested in all the Shares in which Joint Loyal is interested by virtue of the SFO. Mr. Ruan is the sole director of Joint Loyal.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

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

So far as is known to the Directors, as at 31 March 2018, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Shares and underlying Shares of the Company

| Name of shareholder | Nature of interest | Number of Shares held | Approximate percentage of shareholding (%) |
|---|--------------------------------------|-----------------------|--|
| Mr. Lin Pintong (Note 1) | Interest of a controlled corporation | 576,020,000 | 10.00 |
| Lizhong (Note 1) | Beneficial owner | 576,020,000 | 10.00 |
| Broad Win Limited (Note 1) | Interest of a controlled corporation | 576,020,000 | 10.00 |
| Ms. Pan Xiaoying (Note 2) | Interest of spouse | 576,020,000 | 10.00 |
| Joint Loyal (Note 1) | Interest of a controlled corporation | 576,020,000 | 10.00 |
| Ms. Liu Sibin (Note 3) | Interest of spouse | 576,020,000 | 10.00 |
| New Express Investment Limited (Note 4) | Beneficial owner | 403,622,000 | 7.01 |
| China Investment and Finance Group Limited (Note 4) | Interest of a controlled corporation | 403,622,000 | 7.01 |

Notes:

- (1) These Shares are registered in the name of and beneficially owned by Lizhong, 48.73% and 48.73% of the entire issued share capital of Lizhong is owned by Broad Win Limited ("Broad Win") and Joint Loyal respectively. The entire issued share capital of Broad Win and Joint Loyal is owned by Mr. Lin Pintong ("Mr. Lin") and Mr. Ruan respectively. Under the SFO, each of Mr. Lin, Mr. Ruan, Broad Win and Joint Loyal is deemed to be interested in all the Shares held by Lizhong. The directors of Lizhong are Mr. Lin, Mr. Ruan and Mr. Han Wenqian.
- (2) Ms. Pan Xiaoying ("Ms. Pan") is the spouse of Mr. Lin. Therefore, Ms. Pan is deemed, or taken to be, interested in the Shares which Mr. Lin is deemed, or taken to be interested in for the purposes of the SFO.
- (3) Ms. Liu Sibin ("Ms. Liu") is the spouse of Mr. Ruan. Therefore, Ms. Liu is deemed, or taken to be, interested in the Shares which Mr. Ruan is deemed, or taken to be interested in for the purposes of the SFO.
- (4) These Shares were registered in the name of and beneficially owned by New Express Investment Limited ("New Express Investment"). The entire issued share capital of New Express Investment was owned by China Investment and Finance Group Limited ("China Investment"). China Investment is deemed to be interested in all the Shares in which New Express Investment was interested by virtue of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors throughout the period under review.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3.3 of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company. As at the date of this report, the Audit Committee has three members, namely Ms. Tay Sheve Li (Chairperson), Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu, all being independent non-executive Directors.

The Audit Committee has reviewed the unaudited results of the Group for the three months ended 31 March 2018. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 11 May 2018

As at the date of this report, the executive Directors are Mr. Ruan Deqing (Chairman), Mr. Peng Lichun and Mr. Ma Pun Fai; and the independent non-executive Directors are Ms. Tay Sheve Li, Ms. Yu Shun Yan Verda and Mr. Yau Kit Yu.