



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

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8087

Third Quarterly
Report
2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

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 2018, together with the comparative unaudited figures for the corresponding periods in 2017, are as follows:

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2018 (unaudited) RMB'000	2017 (unaudited) RMB'000	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Revenue	5	38,063	74,000	11,781	13,714
Cost of sales		(37,998)	(53,352)	(17,354)	(8,697)
Gross profit/(loss)		65	20,648	(5,573)	5,017
Other income		311	1,766	191	674
Other losses and gains, net		(4,527)	(14,587)	(238)	(3,707)
Selling and distribution expenses		(4,677)	(10,637)	(873)	(2,628)
Administrative expenses		(17,466)	(20,975)	(7,007)	(6,074)
Share of profits and losses of a joint venture		(136)	(234)	(133)	(178)
Finance cost		–	(390)	–	(104)
Loss before tax		(26,430)	(24,409)	(13,633)	(7,000)
Income tax expense	6	(81)	(18)	(57)	(3)
Loss for the period		(26,511)	(24,427)	(13,690)	(7,003)
Other comprehensive income/(expense) for the period:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		23,995	(16,903)	15,811	(6,399)
Total comprehensive (expense)/income for the period		(2,516)	(41,330)	2,121	(13,402)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2018 (unaudited) RMB'000	2017 (unaudited) RMB'000	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Loss for the period attributable to:					
Owners of the Company		(26,368)	(22,533)	(13,446)	(6,290)
Non-controlling interests		(143)	(1,894)	(244)	(713)
		(26,511)	(24,427)	(13,690)	(7,003)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the company		(2,373)	(39,436)	2,365	(12,689)
Non-controlling interests		(143)	(1,894)	(244)	(713)
		(2,516)	(41,330)	2,121	(13,402)
		RMB cents	RMB cents	RMB cents	RMB cents
Basic loss per share	8	(0.46)	(0.39)	(0.23)	(0.11)
Diluted loss per share	8	(0.46)	(0.39)	(0.23)	(0.11)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017 (audited)	36,721	626,521	26,239	13,174	19	31,651	2,481	(217,616)	519,190	(2,519)	516,671
Loss for the period	-	-	-	-	-	-	-	(22,533)	(22,533)	(1,894)	(24,427)
Other comprehensive expense for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(16,903)	-	-	(16,903)	-	(16,903)
Total comprehensive expense for the period	-	-	-	-	-	(16,903)	-	(22,533)	(39,436)	(1,894)	(41,330)
At 30 September 2017 (unaudited)	36,721	626,521	26,239	13,174	19	14,748	2,481	(240,149)	479,754	(4,413)	475,341
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	-	-	-	-	-	-	-	(26,368)	(26,368)	(143)	(26,511)
Other comprehensive expense for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	23,995	-	-	23,995	-	23,995
Total comprehensive expense for the period	-	-	-	-	-	23,995	-	(26,368)	(2,373)	(143)	(2,516)
At 30 September 2018 (unaudited)	36,721	626,521	26,239	13,174	19	22,637	7,288	(280,018)	452,581	(4,809)	447,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is Suite 2001, Tower 1, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. During the period, the Group was principally engaged in the operation and provision of advertising services of printed media for railway networks, outdoor advertising spaces at selected trains and railway stations in the People's Republic of China (the "PRC"), film and entertainment investment in Hong Kong and the PRC and prepaid card business in Hong Kong.

2. BASIS OF PREPARATION

These unaudited 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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 2018. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods/years.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND OPERATING SEGMENT INFORMATION

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

	Nine months ended 30 September 2018 (unaudited) RMB'000		Three months ended 30 September 2018 (unaudited) RMB'000	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
An analysis of the Group's revenue for the period is as follow:				
Printed media advertising	14,989	30,807	1,391	9,305
Outdoor advertising	7,953	5,169	3,727	1,868
Film and entertainment investment	9,138	36,158	4,264	1,754
Prepaid card	5,983	1,866	2,399	787
Total	38,063	74,000	11,781	13,714

	Printed media advertising (unaudited) RMB'000	Outdoor advertising (unaudited) RMB'000	Film and entertainment investment (unaudited) RMB'000	Prepaid card (unaudited) RMB'000	Total (unaudited) RMB'000
For the nine months ended 30 September 2018					
Segment revenue:					
Sales to external customers	14,989	7,953	9,138	5,983	38,063
Timing of revenue recognition					
At a point in time	-	-	9,138	5,983	15,121
Over time	14,989	7,953	-	-	22,942
Segment results	14,989 (2,423)	7,953 2,003	9,138 292	5,983 (9,589)	38,063 (9,717)
<i>Reconciliation:</i>					
Bank interest income					200
Other unallocated income and gains and losses, net					(2,884)
Share of profits and losses of a joint venture					(136)
Corporate and other unallocated expenses					(13,893)
Loss before tax					(26,430)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND OPERATING SEGMENT INFORMATION (continued)

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law, the PRC corporate income tax rate of all the PRC subsidiaries is 25%. The Group is not subject to any taxation under the jurisdiction of the Cayman Islands during the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

7. DIVIDENDS

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

8. LOSS PER SHARE

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

	Nine months ended 30 September 2018		Three months ended 30 September 2018	
	(unaudited) RMB'000	2017 (unaudited) RMB'000	(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)	(26,368)	(22,533)	(13,446)	(6,290)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS PER SHARE (continued)

	Number of shares			
	Nine months ended		Three months ended	
	30 September		30 September	
	2018	2017	2018	2017
	'000	'000	'000	'000
Average number of ordinary shares for the purpose of basic and diluted loss per share	5,760,000	5,760,000	5,760,000	5,760,000

The calculation of the diluted loss per share for both periods did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

9. SHARE CAPITAL

	Number of share '000	Share Capital RMB'000
Ordinary shares of US\$0.001 each		
Authorised:		
As at 1 January 2017, 30 September 2017, 1 January 2018 and 30 September 2018	40,000,000	263,672
Issued and fully paid:		
As at 1 January 2017, 30 September 2017, 1 January 2018 and 30 September 2018	5,760,000	36,721

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

BUSINESS REVIEW

The principal business of the Group during the period included printed media advertising, outdoor advertising, film and entertainment investment, as well as prepaid card business. The Group's revenue for the nine months ended 30 September 2018 amounted to approximately RMB38,063,000, representing a decrease of approximately RMB35,937,000 or 48.6% as compared to approximately RMB74,000,000 for the corresponding period last year.

Overall gross profit decreased by approximately RMB20,583,000 or 99.7% to approximately RMB65,000 for the nine months ended 30 September 2018 from approximately RMB20,648,000 for the corresponding period last year. The gross profit margin for the current period decreased to 0.2% from 27.9% in the corresponding period last year. The Group recorded a total comprehensive expense attributable to the owners of the Company of approximately RMB2,373,000 during the period, representing a decrease of RMB37,063,000 when compared to RMB39,436,000 for the corresponding period last year.

REVIEW BY SEGMENT

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

	Revenue			Segment (loss)/profit			Segment (loss)/profit margin	
	30 September		Change %	30 September		Change %	30 September	
	2018	2017		2018	2017		2018	2017
	(unaudited)	(unaudited)		(unaudited)	(unaudited)		(unaudited)	
	RMB'000	RMB'000		RMB'000	RMB'000		%	
Printed media advertising	14,989	30,807	(51.3)	(2,423)	19,176	(112.6)	(16.2)	62.2
Outdoor advertising	7,953	5,169	53.9	2,003	2,556	(21.6)	25.2	49.4
Film and entertainment investment	9,138	36,158	(74.7)	292	1,610	(81.9)	3.2	4.5
Prepaid card	5,983	1,866	220.6	(9,589)	(11,436)	(16.2)	(160.3)	(612.9)
Total	38,063	74,000	(48.6)	(9,717)	11,906	(181.6)	(25.5)	16.1

Printed Media Advertising

Revenue from printed media advertising was one of the main sources of revenue, representing approximately 39.4% of the Group's total revenue for the nine months ended 30 September 2018. With the unstable income from film and entertainment business, which is subject to the production status and market trend, it is expected that the printed media advertising income to the Group will still remain as one of the principal sources of income. Revenue from printed media advertising mainly represented the amount generated from the sales of the advertising space on the periodicals and was recognised upon the publication of the periodicals in which the respective advertisement was placed. "旅伴" (Fellow Traveller) is a monthly nationwide periodicals distributed on China Railway High-speed ("CRH") trains and selected regular trains in the People's Republic of China (the "PRC"). Revenue from placing advertising on "旅伴" (Fellow Traveller) was the major source of revenue for the period under review which contributed approximately 81.6% of the Group's total revenue from printed media advertising. Revenue from printed media advertising decreased by approximately RMB15,818,000 or 51.3% from approximately RMB30,807,000 for the nine months ended 30 September 2017 to approximately RMB14,989,000 for the nine months ended 30 September 2018. The decrease was mainly due to decrease in number of customers for periodicals "旅伴" (Fellow Traveller).

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Segment loss from printed media advertising for the nine months ended 30 September 2018 amounted to approximately RMB2,423,000, representing a decrease of approximately 112.6% as compared to the corresponding period last year, which was segment profit of approximately RMB19,176,000. Segment margin of printed media advertising decreased from profit margin of approximately 62.2% for the nine months ended 30 September 2017 to loss margin of approximately 16.2% for the nine months ended 30 September 2018. The decrease in segment margin was due to (i) impairment of trade receivables for certain customers which were past due for years; and (ii) significant reduction in number of customers.

Outdoor Advertising

Revenue from outdoor advertising represented the amount generated from the sales of advertising spaces on the billboards and LEDs installed at certain selected train stations and revenue from promotion campaign conducted in some train stations. Revenue from outdoor advertising increased by approximately RMB2,784,000 or 53.9% from approximately RMB5,169,000 for the nine months ended 30 September 2017 to approximately RMB7,953,000 for the nine months ended 30 September 2018. The increase was mainly due to increased station campaigns when compared to the corresponding period last year.

Segment profit from outdoor advertising for the nine months ended 30 September 2018 amounted to approximately RMB2,003,000 while it was of approximately RMB2,556,000 for the corresponding period last year. Segment profit margin of outdoor advertising was 25.2% for the nine months ended 30 September 2018 as compared to 49.4% for the nine months ended 30 September 2017. The deduction in segment profit margin was due to the additional amount charged by the suppliers for the services rendered in the past. These amounts were settled upon finalization of accounts in current period.

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. Revenue from film and entertainment business decreased by approximately RMB27,020,000 or 74.7% from approximately RMB36,158,000 for the nine months ended 30 September 2017 to RMB9,138,000 for the nine months ended 30 September 2018. The frequency of income from film and entertainment business was highly depending on the production status and the market trend for the respective periods. One television drama was released during the current period.

Segment profit from film and entertainment business for the nine months ended 30 September 2018 amounted to approximately RMB292,000, representing a drop of approximately RMB1,318,000 or 81.9% as compared to the corresponding period last year. Segment profit margin decreased from approximately 4.5% for the nine months ended 30 September 2017 to approximately 3.2% for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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 business 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 was provided. Revenue from prepaid card business increased by approximately RMB4,117,000 or 220.6% from approximately RMB1,866,000 for the nine months ended 30 September 2017 to approximately RMB5,983,000 for the nine months ended 30 September 2018. This was due to increase in both number and amount of prepaid card sold in 2018 when compared with the corresponding period last year.

Segment loss from prepaid card business for the nine months ended 30 September 2018 amounted to approximately RMB9,589,000, representing a decrease of approximately RMB1,847,000 as compared to the corresponding period last year, which was approximately RMB11,436,000. Segment loss margin of prepaid card also dropped significantly from approximately 612.9% for the nine months ended 30 September 2017 to approximately 160.3% for the nine months ended 30 September 2018. The decrease in segment profit and segment margin was mainly due to first half 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 30 September 2018, the Group did not have any significant contingent liabilities.

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 billion and RMB45.7 billion 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.

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

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.

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 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 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 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 30 September 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 meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the required standard of dealings by directors of listed issuer referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares (the "Shares") of the Company

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Save as disclosed above, as at 30 September 2018, 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 2018, the following persons other than a Director or chief executive of the Company had, or were deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in Shares and underlying Shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Lin Pintong (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Lizhong (Note 1)	Beneficial owner	576,020,000	10.00
Broad Win (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Pan Xiaoying (Note 2)	Interest of spouse	576,020,000	10.00
Joint Loyal (Note 1)	Interest of a controlled corporation	576,020,000	10.00
Ms. Liu Sibin (Note 3)	Interest of spouse	576,020,000	10.00
New Express Investment Limited (Note 4)	Beneficial owner	398,622,000	6.92
China Investment and Finance Group Limited (Note 4)	Interest of a controlled corporation	398,622,000	6.92

MANAGEMENT DISCUSSION AND ANALYSIS AND DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

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

Save as disclosed above, as at 30 September 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 has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the code of conduct and required standard of dealings concerning securities transactions by directors throughout the period under review.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited results of the Group for the nine months ended 30 September 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

Hong Kong, 9 November 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.