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## **FOCUS MEDIA NETWORK**



Combining Venture Capital and Entrepreneurs

## **FOCUS MEDIA NETWORK LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8112)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

This announcement, for which the directors (the “Directors”) of Focus Media Network 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 of the Company, 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.

## FINANCIAL HIGHLIGHTS

- The Group's turnover for the year of 2015 was approximately HK\$72.3 million, representing a decrease of approximately 5% over the previous year, yet was the second highest since the founding of the Group in 2004.
- Turnover for the fourth quarter was approximately HK\$21.6 million, representing approximately 30% of the entire turnover for the year ended 31 December 2015, and a decrease of approximately 27% over the corresponding period of the previous year. Gross profit for the fourth quarter was approximately HK\$12.9 million (with a gross profit margin of approximately 60%) as compared to approximately HK\$17.1 million (with a gross profit margin of approximately 57%) over the corresponding period of the previous year.
- Gross profit for the year of 2015 was approximately HK\$41.6 million, representing an increase of approximately 7% over the previous year. Gross profit margin increased from approximately 51% to 58% due to lower cost-of-sales associated with the better performing media network.
- The Group's negative EBITDA including RMI\* Group amounted to approximately HK\$6.7 million and the Group's negative EBITDA excluding RMI\* Group amounted to approximately HK\$3.7 million for the year of 2015 as compared to negative EBITDA amounted to approximately HK\$6.4 million for the previous year.
- The Group recorded a loss attributable to shareholders of approximately HK\$18.1 million (including RMI\* Group) and a loss attributable to shareholders of approximately HK\$15.2 million (excluding RMI\* Group) for the year of 2015 as compared to a loss attributable to shareholders of approximately HK\$13 million for the previous year.
- Loss per share for the year of 2015 was HK cents 5.06 as compared to HK cents 3.96 for the previous year.
- The Board does not recommend the payment of final dividend for the year of 2015 (2014: nil).

\* In August 2015, the Group successfully secured its first-ever acquisition, the acquisition of Ricco Media Investments Limited ("RMI").

## FINAL RESULTS

The board (the “Board”) of Directors of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015 (the “Financial Year”) together with comparative figures for the previous corresponding year as follows:

### Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$</b>	2014 <b>HK\$</b>
<b>Revenue</b>	3	<b>72,306,609</b>	76,304,823
Cost of sales	5	<u><b>(30,676,437)</b></u>	<u>(37,540,837)</u>
<b>Gross profit</b>		<b>41,630,172</b>	38,763,986
Other (loss)/income — net	4	<b>(734,066)</b>	1,219,420
Administrative expenses	5	<u><b>(56,891,090)</b></u>	<u>(52,990,895)</u>
<b>Operating loss</b>		<b>(15,994,984)</b>	(13,007,489)
Finance costs	6	<b>(2,250,526)</b>	(26,584)
Share of losses of joint ventures		<u><b>(690,748)</b></u>	<u>(158,777)</u>
<b>Loss before income tax</b>		<b>(18,936,258)</b>	(13,192,850)
Income tax expenses	7	<u>—</u>	<u>—</u>
<b>Loss for the year</b>		<b>(18,936,258)</b>	(13,192,850)
<b>Other comprehensive loss</b>			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		<u><b>(1,527,740)</b></u>	<u>(846,918)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(20,463,998)</b></u>	<u>(14,039,768)</u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(18,139,328)</b>	(13,003,482)
Non-controlling interests		<u><b>(796,930)</b></u>	<u>(189,368)</u>
		<u><b>(18,936,258)</b></u>	<u>(13,192,850)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(19,667,094)</b>	(13,850,400)
Non-controlling interests		<u><b>(796,904)</b></u>	<u>(189,368)</u>
		<u><b>(20,463,998)</b></u>	<u>(14,039,768)</u>
Loss per share attributable to owners of the Company			
— Basic and diluted	8	<u><b>HK cents (5.06)</b></u>	<u>HK cents (3.96)</u>

## Consolidated Statement of Financial Position

As at 31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>10,467,956</b>	10,941,954
Intangible assets		<b>1,138,572</b>	1,978,020
Film deposits and rights	9	<b>136,845,195</b>	—
Available-for-sale financial asset		<b>3,000,000</b>	—
Deposits and prepayments		<b>6,398,707</b>	2,620,275
Pledged bank deposits		<b>548,000</b>	586,000
Interests in joint ventures		<b>—</b>	1,612,422
		<b>158,398,430</b>	17,738,671
<b>Current assets</b>			
Inventories		<b>730,187</b>	—
Trade and other receivables	10	<b>34,944,296</b>	21,236,970
Financial asset at fair value through profit or loss		<b>—</b>	1,898,734
Pledged bank deposits		<b>291,569</b>	291,389
Cash and cash equivalents		<b>28,220,819</b>	37,890,563
		<b>64,186,871</b>	61,317,656
<b>Total assets</b>		<b>222,585,301</b>	79,056,327
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		<b>3,823,641</b>	3,280,000
Share premium		<b>333,877,058</b>	274,344,873
Other reserves		<b>(177,115,523)</b>	(173,084,938)
Accumulated losses		<b>(62,328,187)</b>	(44,389,291)
<b>Equity attributable to owners of the Company</b>		<b>98,256,989</b>	60,150,644
<b>Non-controlling interests</b>		<b>30,440,966</b>	(189,338)
<b>Total equity</b>		<b>128,697,955</b>	59,961,306

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$</b>	2014 <b>HK\$</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>37,135,965</b>	17,823,812
Borrowing and interest payable		<b>52,219,178</b>	—
Deferred revenue		<b>4,532,203</b>	1,271,209
		<u><b>93,887,346</b></u>	<u>19,095,021</u>
<b>Total equity and liabilities</b>		<u><b>222,585,301</b></u>	<u>79,056,327</u>
<b>Net current (liabilities)/assets</b>		<u><b>(29,700,475)</b></u>	<u>42,222,635</u>
<b>Total assets less current liabilities</b>		<u><b>128,697,955</b></u>	<u>59,961,306</u>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Warrant reserve	Share option reserve	Accumulated losses			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 January 2014</b>	<u>3,280,000</u>	<u>274,344,873</u>	<u>(176,467,450)</u>	<u>(293,925)</u>	<u>67,900</u>	<u>4,320,047</u>	<u>(31,395,958)</u>	<u>73,855,487</u>	<u>—</u>	<u>73,855,487</u>
<b>Comprehensive loss</b>										
Loss for the year	—	—	—	—	—	—	(13,003,482)	(13,003,482)	(189,368)	(13,192,850)
<b>Other comprehensive loss</b>										
Currency translation differences	—	—	—	(846,918)	—	—	—	(846,918)	—	(846,918)
<b>Total comprehensive loss</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(846,918)</u>	<u>—</u>	<u>—</u>	<u>(13,003,482)</u>	<u>(13,850,400)</u>	<u>(189,368)</u>	<u>(14,039,768)</u>
<b>Transactions with owners</b>										
Share option scheme	—	—	—	—	—	135,408	10,149	145,557	—	145,557
Capital injection into a subsidiary from the non-controlling interest	—	—	—	—	—	—	—	—	30	30
<b>Total transactions with owners</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>135,408</u>	<u>10,149</u>	<u>145,557</u>	<u>30</u>	<u>145,587</u>
<b>Balance at 31 December 2014</b>	<u>3,280,000</u>	<u>274,344,873</u>	<u>(176,467,450)</u>	<u>(1,140,843)</u>	<u>67,900</u>	<u>4,455,455</u>	<u>(44,389,291)</u>	<u>60,150,644</u>	<u>(189,338)</u>	<u>59,961,306</u>
<b>Balance at 1 January 2015</b>	<u>3,280,000</u>	<u>274,344,873</u>	<u>(176,467,450)</u>	<u>(1,140,843)</u>	<u>67,900</u>	<u>4,455,455</u>	<u>(44,389,291)</u>	<u>60,150,644</u>	<u>(189,338)</u>	<u>59,961,306</u>
<b>Comprehensive loss</b>										
Loss for the year	—	—	—	—	—	—	(18,139,328)	(18,139,328)	(796,930)	(18,936,258)
<b>Other comprehensive loss</b>										
Currency translation differences	—	—	—	(1,527,766)	—	—	—	(1,527,766)	26	(1,527,740)
<b>Total comprehensive loss</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,527,766)</u>	<u>—</u>	<u>—</u>	<u>(18,139,328)</u>	<u>(19,667,094)</u>	<u>(796,904)</u>	<u>(20,463,998)</u>
<b>Transactions with owners</b>										
Share option scheme										
— Proceeds from shares issued	78,924	7,898,856	—	—	—	(2,283,756)	—	5,694,024	—	5,694,024
— Transfer upon forfeiture of share options	—	—	—	—	—	(151,163)	151,163	—	—	—
Warrants										
— Proceeds from shares issued (Note a)	90,000	11,538,631	—	—	(18,631)	—	—	11,610,000	—	11,610,000
— Transfer upon lapse of warrants (Note a)	—	—	—	—	(49,269)	—	49,269	—	—	—
Issue of ordinary shares related to acquisition of subsidiaries	374,717	40,094,698	—	—	—	—	—	40,469,415	—	40,469,415
Non-controlling interests arising on acquisition of subsidiaries	—	—	—	—	—	—	—	—	31,427,208	31,427,208
<b>Total transactions with owners</b>	<u>543,641</u>	<u>59,532,185</u>	<u>—</u>	<u>—</u>	<u>(67,900)</u>	<u>(2,434,919)</u>	<u>200,432</u>	<u>57,773,439</u>	<u>31,427,208</u>	<u>89,200,647</u>
<b>Balance at 31 December 2015</b>	<u>3,823,641</u>	<u>333,877,058</u>	<u>(176,467,450)</u>	<u>(2,668,609)</u>	<u>—</u>	<u>2,020,536</u>	<u>(62,328,187)</u>	<u>98,256,989</u>	<u>30,440,966</u>	<u>128,697,955</u>

Note:

- (a) On 30 November 2012, the Company entered into the Warrant Subscription Agreement with Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (the “Subscribers”), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for 32,800,000 warrants conferring the right to subscribe for up to HK\$42,312,000 in aggregate for the shares of the Company at an issue price of HK\$0.0125 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK\$1.29 per share. The subscription right will be exercisable during a period of 36 months from the date of issue of the warrants. During the year, 9,000,000 warrants were exercised and the remaining warrants lapsed on 5 December 2015.

## NOTES

### 1. GENERAL INFORMATION

Focus Media Network Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 28th Floor, 2801, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong (to be re-located to 6th Floor, 603, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong with effect from 24 March 2016).

The Company is an investment holding company. The principal activities of the subsidiaries are provision of out-of-home advertising services, retail of skin care products, provision of nursery services and film development, production and distribution.

The Company’s shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

### 2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss and available-for sale financial asset, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### (a) Going concern

The Group recorded a net loss of HK\$18,936,258 and a net operating cash outflow of HK\$19,530,818 during the year ended 31 December 2015. At the same date, the Group’s current liabilities exceeded its current assets by HK\$29,700,475, its cash and cash equivalents amounted to HK\$28,220,819, and its borrowing and the related accrued interest amounted to HK\$50,000,000 and HK\$2,219,178 respectively. In January 2016, the Group borrowed a further short-term loan of HK\$30,000,000 to settle the accrued interest of HK\$2,465,753 of the existing short-term loan, while the remaining loan proceeds of HK\$27,534,247 are to be used to fund its operations. These short-term borrowings of HK\$80,000,000 in total, together with their accrued interests, were scheduled to be repaid on 18 March 2016 (Note 15). In addition, the Group is expected to incur further cash outlays to develop the film rights business acquired during the year ended 31 December 2015.

All the above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- (1) On 17 March 2016, the Group has agreed with the financier of the short-term borrowings to further extend the repayment date of the HK\$80,000,000 borrowings and the related accrued interest to 18 May 2016 (see Note 15);
- (2) The Group plans to undergo a rights issue and expects to raise net proceeds of approximately HK\$126,000,000. Such rights issue is subject to the regulatory approval and ordinary shareholders' approval in an extraordinary general meeting, and is expected to complete prior to 18 May 2016; and
- (3) To obtain funding for development of the film rights business, the Group is actively considering to raise new capital by undertaking further fund raising activities, including but not limited to further rights issue, open offer, placing of new shares and issuance of convertible notes.

The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2015. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to obtain the necessary funding described above as and when needed. The Group's ability to continue as a going concern would depend upon the Group's ability to generate adequate financing cash inflows through (i) successful completion of the rights issue on or before 18 May 2016; and (ii) successful raising of new financing as and when needed to fund the on-going development of the film rights business. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

- (b) The following new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle



- (c) The following new standards and amendments to existing standards have been published but are not yet effective for the year ended 31 December 2015 and which the Group has not early adopted:

		<b>Effective for annual periods beginning on or after</b>
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet determined
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statement	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

- (d) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there were changes to presentation and disclosures of certain information in the consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

In current year, management regularly reviews the operating results from a perspective of different activities instead of geographical perspective in last year. Management assesses the performance of the following operating segments:

- Advertising and media
- Retail of skin care products
- Provision of nursery services
- Film development, production and distribution

Management assesses the performance of the operating segments based on a measure of gross profits.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Advertising and media <i>HK\$</i>	Retail of skin care products <i>HK\$</i>	Provision of nursery services <i>HK\$</i>	Film development, production and distribution <i>HK\$</i>	Total <i>HK\$</i>
<b>For the year ended 31 December 2015</b>					
Segment revenue	<u>69,171,714</u>	<u>2,629,776</u>	<u>505,119</u>	<u>—</u>	<u>72,306,609</u>
Segment results	<u>40,365,844</u>	<u>768,792</u>	<u>495,536</u>	<u>—</u>	<u>41,630,172</u>
<b>For the year ended 31 December 2014</b>					
Segment revenue	<u>76,300,223</u>	<u>—</u>	<u>4,600</u>	<u>—</u>	<u>76,304,823</u>
Segment results	<u>38,759,386</u>	<u>—</u>	<u>4,600</u>	<u>—</u>	<u>38,763,986</u>

A reconciliation of segment results to loss before income tax is provided as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Segment results	41,630,172	38,763,986
Other (loss)/income — net	(734,066)	1,219,420
Administrative expenses	<u>(56,891,090)</u>	<u>(52,990,895)</u>
Operating loss	(15,994,984)	(13,007,489)
Finance costs	(2,250,526)	(26,584)
Share of losses of joint ventures	<u>(690,748)</u>	<u>(158,777)</u>
Loss before income tax	<u>(18,936,258)</u>	<u>(13,192,850)</u>

The total non-current assets by the reportable segments as at 31 December 2015 and 2014 are as follow:

	<b>Advertising and media</b> <i>HK\$</i>	<b>Retail of skin care products</b> <i>HK\$</i>	<b>Provision of nursery services</b> <i>HK\$</i>	<b>Film development, production and distribution</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>As at 31 December 2015</b>					
Non-current assets	<u>18,738,132</u>	<u>8,826</u>	<u>853,438</u>	<u>138,798,034</u>	<u>158,398,430</u>
<b>As at 31 December 2014</b>					
Non-current assets	<u>17,738,671</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,738,671</u>

### **Geographical information**

The Group's operations are located in Hong Kong, Singapore and the United States.

The Group's segment revenue from external customers determined based on location of operation of the Group and information about its non-current assets by geographical location of the assets are detailed below:

	<b>Hong Kong</b> <i>HK\$</i>	<b>Singapore</b> <i>HK\$</i>	<b>United States</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>For the year ended 31 December 2015</b>				
Segment revenue	48,255,833	24,541,671	—	72,797,504
Inter-segment revenue	<u>(399,392)</u>	<u>(91,503)</u>	<u>—</u>	<u>(490,895)</u>
Revenue (from external customers)	<u>47,856,441</u>	<u>24,450,168</u>	<u>—</u>	<u>72,306,609</u>
Segment results	<u>26,139,054</u>	<u>15,491,118</u>	<u>—</u>	<u>41,630,172</u>

	Hong Kong HK\$	Singapore HK\$	United States HK\$	Total HK\$
<b>For the year ended 31 December 2014</b>				
Segment revenue	47,520,022	31,500,313	—	79,020,335
Inter-segment revenue	<u>(2,715,512)</u>	<u>—</u>	<u>—</u>	<u>(2,715,512)</u>
Revenue (from external customers)	<u>44,804,510</u>	<u>31,500,313</u>	<u>—</u>	<u>76,304,823</u>
Segment results	<u>19,997,154</u>	<u>18,766,832</u>	<u>—</u>	<u>38,763,986</u>

The total non-current assets located in Hong Kong, Singapore and the United States are HK\$13,984,343 (2014: HK\$10,936,482) and HK\$5,616,053 (2014: HK\$6,802,189) and HK\$138,798,034 (2014: nil) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2015 (2014: nil).

#### 4. OTHER (LOSS)/INCOME — NET

	2015 HK\$	2014 HK\$
Net exchange losses	(7,695)	(305,928)
Government grants	638,971	167,956
Interest income	1,425	545
Sundry income	192,842	363,436
Gains on disposal of property, plant and equipment	—	200,000
Gain on partial disposal of a joint venture	—	229,760
Gain on disposal of a joint venture	1	—
Production income	94,763	563,651
Recovery of impaired receivables ( <i>Note 10</i> )	244,361	—
Financial asset at fair value through profit or loss:		
— Fair value loss	<u>(1,898,734)</u>	<u>—</u>
	<u>(734,066)</u>	<u>1,219,420</u>

## 5. EXPENSES BY NATURE

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Revenue sharing with landlords of Office and Commercial Networks ( <i>Note</i> )	7,759,448	6,635,566
Revenue sharing with landlords of In-store Networks ( <i>Note</i> )	2,264,199	1,745,966
Revenue sharing with owners of Online Video Streaming Platforms ( <i>Note</i> )	1,645,109	9,174,690
Revenue sharing with owners of Residential Networks ( <i>Note</i> )	248,188	69,033
Cost of inventories	1,685,924	—
Sales commission	4,979,089	3,944,012
Production and installation	3,084,256	5,793,214
Auditor's remuneration	2,071,099	1,313,000
Depreciation	4,902,545	3,591,045
Amortisation	839,448	839,496
Operating lease payments		
— Outdoor billboards	8,080,488	9,574,239
— In-store Networks	509,292	183,625
— Land and building	6,242,637	4,513,300
Employee benefit expenses excluding equity-based compensation	28,673,414	26,077,823
Equity-based compensation	—	145,557
Marketing and promotion expenses	2,838,595	3,138,441
Travelling expenses	1,383,603	2,068,630
Provision for impairment of trade receivables ( <i>Note 10</i> )	194,998	781,397
Professional fees	1,109,680	1,145,121
Impairment of property, plant and equipment	—	2,066,667
Impairment of amount due from a joint venture	488,290	—
Impairment of investment in a joint venture	412,206	—
Other expenses	<u>8,155,019</u>	<u>7,730,910</u>
Total cost of sales and administrative expenses	<u><u>87,567,527</u></u>	<u><u>90,531,732</u></u>
Representing:		
Cost of sales	30,676,437	37,540,837
Administrative expenses	<u>56,891,090</u>	<u>52,990,895</u>
	<u><u>87,567,527</u></u>	<u><u>90,531,732</u></u>

*Note:* There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks, owners of Residential Networks and owners of Online Video Streaming Platforms was calculated based on the rates agreed between the Group and landlords and owners and is recognised as cost of sales when the related advertisements are telecasted.

## 6. FINANCE COSTS

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Interest expense		
— Borrowing	2,219,178	—
— Finance lease liabilities	—	12,754
— Licence fee liabilities	<u>31,348</u>	<u>13,830</u>
	<u><u>2,250,526</u></u>	<u><u>26,584</u></u>

## 7. INCOME TAX EXPENSES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current income tax	—	—
Deferred income tax	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>

No provision for Hong Kong, Singapore and the United States profits tax has been made in these consolidated financial statements as the tax losses brought forward from previous years exceed the estimated assessable profits (2014: same). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2014: 16.5%), 17% (2014: 17%) and 40% respectively.

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Loss before income tax	<u>(18,936,258)</u>	<u>(13,192,850)</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,066,771)	(1,603,750)
Income not subject to tax	(180,857)	(70,662)
Expenses not deductible for tax purpose	2,407,508	299,842
Tax losses for which no deferred income tax asset was recognised	1,416,274	1,889,525
Utilisation of previously unrecognised tax losses	<u>(576,154)</u>	<u>(514,955)</u>
Income tax expenses	<u><u>—</u></u>	<u><u>—</u></u>

## 8. LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the results attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Loss attributable to equity holders of the Company (HK\$)	(18,139,328)	(13,003,482)
Weighted average number of ordinary share in issue	358,150,163	328,000,000
Basic loss per share	<u>HK cents (5.06)</u>	<u>HK cents (3.96)</u>

### (b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the year ended 31 December 2015 have no dilutive effect (2014: same).

## 9. FILM DEPOSITS AND RIGHTS

	<i>HK\$</i>
<b>Year ended 31 December 2015</b>	
Opening net book amount	—
Acquisition of subsidiaries	132,336,077
Addition	4,512,672
Exchange difference on translation	<u>(3,554)</u>
<b>Closing net book amount</b>	<u>136,845,195</u>
<b>At 31 December 2015</b>	
Cost	136,845,195
Accumulated amortisation	<u>—</u>
<b>Net book amount</b>	<u>136,845,195</u>

## 10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Trade receivables — third parties	19,091,369	20,240,370
Less: provision for impairment of trade receivables ( <i>Note 5</i> )	<u>(194,998)</u>	<u>(2,112,988)</u>
Trade receivables — net	18,896,371	18,127,382
Prepayments, deposits and other receivables	<u>22,446,632</u>	<u>5,729,863</u>
	<u>41,343,003</u>	<u>23,857,245</u>
Less non-current portion:		
Rental deposit	(2,372,403)	(2,277,649)
Prepayment for acquisition of plant and equipment	<u>(4,026,304)</u>	<u>(342,626)</u>
Current portion	<u>34,944,296</u>	<u>21,236,970</u>

The carrying amounts of trade and other receivables approximate their fair values.

The majority of the Group's sales are mainly on average credit terms of 60 to 90 days. Trade receivables of HK\$13,823,614 (2014: HK\$12,536,766) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Provision for impairment of receivables has been provided for the remaining balance of HK\$194,998 (2014: HK\$2,112,988). The ageing analysis of these trade receivables is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Neither past due nor impaired	<u>5,072,757</u>	<u>5,590,616</u>
0–30 days past due	8,126,101	4,101,933
31–60 days past due	1,300,767	3,665,237
Over 61 days past due	<u>4,396,746</u>	<u>4,769,596</u>
Past due but not impaired ( <i>Note a</i> )	<u>13,823,614</u>	<u>12,536,766</u>
	<u>18,896,371</u>	<u>18,127,382</u>

*Note:*

- (a) Past due but not impaired comprised of receivables from 81 (2014: 69) customers with 197 (2014: 146) campaign orders.



Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

Movements on the Group's provision for impairment of trade receivables are as follows:

	<b>2015</b>	2014
	<b>HK\$</b>	HK\$
At 1 January	<b>2,112,988</b>	1,333,998
Provision for impairment ( <i>Note 5</i> )	<b>194,998</b>	781,397
Receivables written off during the year as uncollectible	<b>(1,884,609)</b>	—
Recovery of impaired receivables during the year ( <i>Note 4</i> )	<b>(244,361)</b>	—
Exchange difference	<b>15,982</b>	(2,407)
	<b><u>194,998</u></b>	<u>2,112,988</u>
At 31 December	<b><u>194,998</u></b>	<u>2,112,988</u>

As of 31 December 2015, trade receivables of HK\$194,998 (2014: HK\$2,112,988) were impaired and provided for. The ageing of these impaired receivables is as follows:

	<b>2015</b>	2014
	<b>HK\$</b>	HK\$
Over 61 days past due	<b><u>194,998</u></b>	<u>2,112,988</u>

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	<b>2015</b>	2014
	<b>HK\$</b>	HK\$
HK\$	<b>32,400,323</b>	14,433,194
Singapore dollars ("SG\$")	<b>8,942,680</b>	9,408,058
Renminbi ("RMB")	<b>—</b>	15,993
	<b><u>41,343,003</u></b>	<u>23,857,245</u>

## 11. TRADE AND OTHER PAYABLES

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Trade payables	462,884	599,065
Licence fee payable	739,745	1,048,125
Other payables	25,831,926	2,864,761
Accruals	<u>10,101,410</u>	<u>13,311,861</u>
	<u><b>37,135,965</b></u>	<u><b>17,823,812</b></u>

The carrying amounts of the trade and other payables approximate their fair values.

Payment terms granted by suppliers ranged from 60 to 90 days after end of the month in which the relevant purchase occurred.

As at 31 December 2015, the balance of trade and other payables includes an amount due to a shareholder of HK\$19,628,280 (2014: nil), which is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value and majority of it is denominated in the United States dollars (“US\$”).

The ageing analysis of the trade payables based on the due date is as follows:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
Current	462,884	598,460
Over 60 days past due	<u>—</u>	<u>605</u>
	<u><b>462,884</b></u>	<u><b>599,065</b></u>

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2015 <i>HK\$</i>	2014 <i>HK\$</i>
HK\$	10,785,615	6,764,918
SG\$	3,756,790	3,729,060
RMB	1,668,771	6,545,574
US\$	<u>20,924,789</u>	<u>784,260</u>
	<u><b>37,135,965</b></u>	<u><b>17,823,812</b></u>

## 12. COMMITMENTS

### (a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of its office buildings and outdoor billboard spaces are as follows:

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
No later than 1 year	<b>10,079,402</b>	11,950,889
Later than 1 year and no later than 5 years	<u><b>5,448,518</b></u>	<u>7,336,552</u>
	<u><b>15,527,920</b></u>	<u>19,287,441</u>

### (b) Other commitments

At 31 December 2015 and 2014, the Group had commitments contracted but not provided for in these consolidated financial statements as follows:

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>
Development of film rights	<u><b>1,356,005</b></u>	<u>—</u>

## 13. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

## 14. ACQUISITION OF SUBSIDIARIES

On 7 August 2015, the Group entered into a sale and purchase agreement to acquire 100% issued share capital of RMI at a total consideration satisfied by cash amounted to HK\$50,000,000 and issuance of 37,471,680 ordinary shares with fair value of HK\$40,469,415. The transaction was completed on 20 August 2015. RMI and its subsidiaries (collectively, "RMI Group") are principally engaged in film development, production and distribution in the United States.

The following table summarises the consideration paid for RMI Group, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

	<i>HK\$</i>
Film deposits and rights	132,336,077
Rental deposits and other assets	663,356
Cash and cash equivalents	9,474,848
Other payables	<u>(20,577,658)</u>
<b>Total identifiable net assets</b>	121,896,623
Non-controlling interests	<u>(31,427,208)</u>
	<u><u>90,469,415</u></u>
Satisfied by:	
Cash consideration paid	50,000,000
Share consideration	<u>40,469,415</u>
	<u><u>90,469,415</u></u>

**15. SUBSEQUENT EVENTS**

- (a) On 16 March 2016, the Group announced rights issue of 1,911,820,400 rights shares (“Rights Shares”) at HK\$0.068 per Rights Share on the basis of five Rights Shares for every one existing share. The issue of Rights Shares was not yet completed as of the date of this report and no adjustment is required to be made to the exercise prices of and the number of the shares falling to be issued under the outstanding share options in accordance with the terms of the Pre-IPO Share Option Scheme and the Share Option Scheme.
- (b) Subsequent to the year end, the Group further borrowed a short-term loan of HK\$30,000,000 to repay interest payable of HK\$2,465,753 and the remaining amount of HK\$27,534,247 to fund its operations. On 17 March 2016, the Group has agreed with the financier to extend repayment date of the outstanding borrowing and the related interest payable to 18 May 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is a well-established digital OOH media company in Hong Kong and Singapore, with an operating history since April 2004. It had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisement. In terms of the number of venues in which the Group deploys its branded flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore.

### *Number of venues*

The number of venues in which the Group deployed its branded flat-panel displays continued to experience growth which allowed the Group to increase the advertising rates offered to its advertisers. The table below shows the growth of the Group's network size:

Region	Network	2015	2014	% Change
Hong Kong	Office and Commercial Network	612	617	(1%)
Hong Kong	In-store Network (Mannings)	250	242	3%
Hong Kong	Residential Network	197	123	60%
Singapore	Office and Commercial Network	520	500	4%
Singapore	HDB Shopping Centres	20	20	0%
Singapore	In-store Network (Watsons)	74	84	(12%)
<b>Total number of venues</b>		<b>1,673</b>	<b>1,586</b>	<b>5%</b>

### *Business model and strategy*

As of 31 December 2015, the Group has deployed its branded flat-panel displays at 1,132 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, at 197 residential apartments in Hong Kong under its Residential Complex digital OOH media network, and at 250 Mannings retail chain-stores in Hong Kong and 74 Watsons retail chain-stores in Singapore under its In-store digital OOH media network.

Under its Static OOH Billboard media network, the Group continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station.

In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the “Lan Kwai Fong” of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

As for the large format LED OOH media network, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place (“ORP”), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore’s financial district.

As well, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the new walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a “gateway” to the bustling shopping belt in Singapore.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static OOH sites under its Static OOH billboard media network.

Turnover was generated from a diverse pool of 412 customers (through 1,074 campaign orders); comprising 278 new customers and 134 repeat customers, demonstrating the medium is still very much attracting new advertisers onboard while retaining loyalty from repeat customers. The total adspend from these repeat customers increased by approximately 4% over the previous year and contributed to approximately 49% (2014: 56%) of the Group’s total turnover. These are testaments to the success and sustainability of the Group’s business model.

### ***Business Acquisition & Expansion***

Since the founding of the Group in April 2004, the Group has been in the business of media, advertising and content production. In February 2012, the Group has also been involved in the production of micro-movies for leading gaming, integrated resorts, and tourism brands around the regions, for media placements on Youku Tudou Inc., China’s largest online television company, and other leading online video portals and social media platforms in China. The Group has since been exploring possible strategies to further extend the Group’s media business, as well as identifying and acquiring suitable investment or business projects related to the field of mass media, film production and distribution, new media content production and entertainment related projects. In view of the increasing needs for media contents in China due to the increasing popularity of social media networks, increasing number of IMAX cinemas and improved accessibility to media contents and also the outstanding box office records in relation to “superhero” genre of motion pictures worldwide, the Company has attempted to make a big step forward to expand its business scope and transform itself into a media content provider.

In August 2015, the Group successfully secured its first-ever acquisition the acquisition of Ricco Media Investments Limited (“RMI”) which indirectly holds a 75% equity interest in Stan Lee Global Entertainment, LLC (“SLGE”). The remaining 25% of SLGE is owned by POW! Entertainment, Inc. (“POW!”), a company publicly-listed in the U.S.A., in which Mr. Stan Lee (“Stan”) is the founder, chairman and chief creative officer. It is an extremely rare opportunity to be able to partner with Stan, the co-creator of many of Marvel’s superheroes for the production of superhero motion pictures. Stan’s co-creations include Spider-Man™, The Incredible Hulk™, X-Men™, The Fantastic Four™, Iron Man™, Avengers™ and hundreds of others. Stan currently remains the Chairman Emeritus of Marvel Entertainment, LLC, a wholly-owned subsidiary of The Walt Disney Company.

In partnership with Stan and POW!, SLGE is engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and/or film script among which three are already in the development phases with a view to commence formal shooting in the next two years, namely The Annihilator (written by Jim Hecht of “Ice Age: Melt Down” and “Thundercats”), Realm (written by Alex Litvak of “The Three Musketeers” and “Predators”), and Replicator & Antilight (written by Chris Shafer and Paul Vicknair of “Before We Go” and “Playing It Cool”). Having witnessed the phenomenal success of Stan’s superhero characters as well as the upcoming schedule of new releases of superhero motion pictures, the Company is highly confident that superhero motion pictures and Stan’s superhero characters will continue to be in demand.

POW! is a multimedia production and licensing company that creates and licenses animated and live-action fantasy and superhero entertainment content and merchandise, leveraging the creative output and brand image of Stan. POW! develops Stan’s originally created projects for traditional entertainment media including feature length films in live action and animation, DVD, live entertainment, television programming, merchandising and new media such as online digital programming and video games.

\* *These are the registered trademarks and characters of Marvel Characters, Inc.*

The table below shows the breakdown of the Group's turnover by customer sector, demonstrates our medium's effective and consistent reach to a broad spectrum of sectors in the industry:

<i>In HK\$</i>	2015		2014		2013		2012		2011		2010		2009	
Travel/Leisure	<b>4,396,703</b>	<b>6%</b>	19,398,158	25%	12,986,726	18%	6,196,120	11%	1,206,182	2%	1,317,150	3%	1,156,801	3%
Health/Personal care/ Cosmetic	<b>16,350,024</b>	<b>23%</b>	13,464,064	17%	15,037,326	21%	11,811,400	22%	14,220,471	24%	13,055,467	27%	8,030,559	24%
Food & Beverages	<b>9,616,625</b>	<b>13%</b>	8,942,246	12%	15,484,528	21%	6,382,914	12%	7,696,632	13%	2,788,726	6%	2,092,322	6%
Entertainment/Media	<b>9,545,181</b>	<b>13%</b>	8,381,714	11%	10,481,242	15%	12,164,918	23%	12,067,438	20%	9,504,454	20%	4,684,139	14%
Banking/Finance/ Insurance	<b>10,396,614</b>	<b>14%</b>	8,705,392	11%	6,138,248	8%	4,395,542	8%	4,465,599	7%	3,540,672	7%	3,420,720	10%
Electronics	<b>2,097,032</b>	<b>3%</b>	1,355,753	2%	2,328,167	3%	2,462,305	5%	510,001	1%	2,608,915	5%	2,974,553	9%
Government	<b>4,472,850</b>	<b>6%</b>	1,390,606	2%	1,149,996	2%	2,292,994	4%	4,075,764	7%	1,987,877	4%	2,246,514	7%
Mobile Phone	<b>281,424</b>	<b>0%</b>	534,744	1%	1,434,362	2%	1,507,531	3%	1,522,484	2%	1,549,110	3%	1,615,618	5%
Others	<b>15,150,156</b>	<b>22%</b>	14,132,146	19%	7,212,738	10%	6,448,081	12%	14,268,107	24%	12,193,550	25%	7,370,672	22%
<b>Total</b>	<b><u>72,306,609</u></b>	<b><u>100%</u></b>	<b><u>76,304,823</u></b>	<b><u>100%</u></b>	<b><u>72,253,333</u></b>	<b><u>100%</u></b>	<b><u>53,661,805</u></b>	<b><u>100%</u></b>	<b><u>60,032,678</u></b>	<b><u>100%</u></b>	<b><u>48,545,921</u></b>	<b><u>100%</u></b>	<b><u>33,591,898</u></b>	<b><u>100%</u></b>

### *Corporate social responsibility*

As a good corporate citizen, the Group strives to improve society through community commitment. We continue to find ways to align citizenship initiatives on our platform and we take an active role in participating in various communities, charitable and national building events in Singapore and Hong Kong to help and support the local communities. Remarkable events in 2015 included:

1. Sponsorship of Singapore's National Day Parade 2015 (Singapore)
2. Sponsorship of Chingay 2015 (Singapore)
3. Sponsorship of ASEAN Para Games 2015 (Singapore)
4. Sponsorship of the 28th SEA Games 2015 (Singapore)
5. Sponsorship of Rehab Power Day 2015 (Hong Kong)
6. Sponsorship of NothingButNets (Hong Kong)
7. Sponsorship of Dress Causal Day (Hong Kong)
8. Sponsorship of New Life 330 (Hong Kong)
9. Sponsorship of SPCA's Mission Zero (Hong Kong)



## FINANCIAL REVIEW

*in HK\$*

*(including*

<i>RMI Group)</i>	<b>2015</b>	2014	2013	2012	2011	2010	2009
Turnover	<b>72,306,609</b>	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921	33,591,898
Gross profit	<b>41,630,172</b>	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624	26,410,163
EBITDA <sup>(Note 1)</sup>	<b>(6,656,831)</b>	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000	7,514,000
Net (loss)/profit	<b><u>(18,936,258)</u></b>	<u>(13,192,850)</u>	<u>4,016,035</u>	<u>(27,327,804)</u>	<u>2,036,599</u>	<u>11,747,177</u>	<u>5,383,109</u>

*in HK\$*

*(excluding*

<i>RMI Group)</i>	<b>2015</b>	2014	2013	2012	2011	2010	2009
Turnover	<b>72,306,609</b>	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921	33,591,898
Gross profit	<b>41,630,172</b>	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624	26,410,163
EBITDA <sup>(Note 1)</sup>	<b>(3,700,804)</b>	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000	7,514,000
Net (loss)/profit	<b><u>(16,006,674)</u></b>	<u>(13,192,850)</u>	<u>4,016,035</u>	<u>(27,327,804)</u>	<u>2,036,599</u>	<u>11,747,177</u>	<u>5,383,109</u>

*Note 1:* EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of joint ventures, impairment of property, plant and equipment, impairment of investment in joint venture, fair value loss on financial asset at fair value through profit or loss, gain on partial disposal of a joint venture, amortization of intangible assets and net of the total comprehensive loss for the year attributable to non-controlling interest. While EBITDA is commonly used in the advertising and media industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

The Group's turnover for the year of 2015 was approximately HK\$72.3 million, representing a decrease of approximately 5% over the previous year.

Turnover for the fourth quarter was approximately HK\$21.6 million, representing approximately 30% of the entire turnover for the year under review ("YUR"), and a decrease of approximately 27% over the corresponding period of the previous year. Gross profit for the fourth quarter was approximately HK\$12.9 million (with a gross profit margin of approximately 60%) as compared to approximately HK\$17.1 million (with a gross profit margin of approximately 57%) over the corresponding period of the previous year.

Gross profit for the year of 2015 was approximately HK\$41.6 million, representing an increase of approximately 7% over the previous year. Gross profit margin increased from approximately 51% to 58% due to lower cost-of-sales associated with the better performing media network.

The Group's total operating expenses (including RMI Group, non-cash equity-based compensation and depreciation) for the year of 2015 were approximately HK\$56.9 million, representing an increase of approximately 7.4% over the previous year. The increase in total operating expenses for the year of 2015 over the previous year was mainly due to the office rental and headcount of RMI. (Note: The Group's total operating expenses (excluding RMI Group but including non-cash equity-based compensation and depreciation) for year of 2015 were approximately HK\$53.8 million, representing an increase of approximately 1.6% over the previous year.)

The Group's negative EBITDA including RMI Group amounted to approximately HK\$6.7 million and the Group's negative EBITDA excluding RMI Group amounted to approximately HK\$3.7 million for the year of 2015 as compared to negative EBITDA amounted to approximately HK\$6.4 million for the previous year.

The Group recorded a loss attributable to shareholders of approximately HK\$18.1 million (including RMI Group) and a loss attributable to shareholders of approximately HK\$15.2 million (excluding RMI Group) for the year of 2015 as compared to a loss attributable to shareholders of approximately HK\$13 million for the previous year.

### ***Liquidity and financial resources***

During the YUR, the Group financed its daily operations mainly with its internally generated resources. Short term loan from financier amounted HK\$50 million was obtained as part of the consideration for the acquisition of RMI. As at 31 December 2015, the Group has a net assets value of approximately HK\$129 million while the net current liabilities was amounted to approximately HK\$30 million. In January 2016, the Company obtained a further short-term loan facilities in the amount of HK\$58 million, out of which HK\$30 million has been drawn down for the Group's ordinary course of business and working capital. The short-term borrowings of HK\$80 million and the related interest will be due on 18 May 2016. In order to improve the Group's liquidity, the Company proposed a Rights Issue to raise approximately HK\$130 million in March 2016. The Rights Issue is subject to shareholders' approval and the extraordinary general meeting will be held in May 2016. The proceeds from the Rights Issue will be used for (i) full repayment of the principal amounts and accrued interests of the above-mentioned short term loans; (ii) not more than HK\$45 million for film development and production; and (iii) the remaining (if any) for the general and corporate working capital of the Group. For details of the Rights Issue, please refer to the Company's announcement dated 16 March 2016.

### ***Gearing ratio***

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was 51% as at 31 December 2015 (2014: approximately 0%).

### ***Foreign exchange***

For the year ended 31 December 2015, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. Despite most of RMI Group's business transactions, assets and

liabilities were denominated in US dollars, the foreign currency risk associated with RMI Group was not significant due to the linked exchange rate system. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2015, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

### ***Capital structure***

The shares of the Company were listed on GEM of the Stock Exchange since 2011. The capital of the Company comprises ordinary shares and capital reserves. During the year, the Company issued 54,364,080 new shares including 37,471,680 shares in associated with the acquisition of RMI; 7,892,400 shares from the exercise of share options and 9,000,000 shares from the exercise of conversion right attached to warrants issued by the Company.

### ***Dividend***

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

### ***Information on employees***

As at 31 December 2015, the Group had 84 employees (2014: 75), including the Executive Directors. Total staff costs (including Directors' emoluments) were approximately HK\$28.7 million for the year ended 31 December 2015 as compared to approximately HK\$26.1 million for the year ended 31 December 2014. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. During the year, no bonuses were paid to any employees or directors. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

### ***Significant investments held***

Except for investment in subsidiaries and joint ventures, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2015.

### ***Material acquisitions and disposals of subsidiaries and future plans for material investments***

On 20 August 2015, the Company completed the acquisition of the entire issued share capital of RMI, resulting in RMI becoming a wholly-owned subsidiary of the Company. 37,471,680 Shares were issued and allotted under the general mandate as part consideration of the transaction. Please refer the Company's announcements dated 10 August 2015 and 20 August 2015 for details of the above acquisition.

Save as disclosed above, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the year.

### *Charges of assets*

As at 31 December 2015, the Group did not have any charges on its assets (2014: Nil).

### *Contingent liabilities*

The Group had no material contingent liabilities as at 31 December 2015 (2014: Nil).

### *Audit opinion*

The auditor of the Group will issue an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**Extract of the auditor's report**" below.

### *Extract of the auditor's report*

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **Emphasis of matter**

We draw attention to Note 2.1.1 to the consolidated financial statements, which states that the Group incurred a net loss of HK\$18,936,258 and had a net operating cash outflow of HK\$19,530,818 during the year ended 31 December 2015. As at the same date, the Group's current liabilities exceeded its current assets by HK\$29,700,475, and its borrowing of HK\$50,000,000 together with the related accrued interest of HK\$2,219,178 would be due for repayment on 18 May 2016. Up to the date of the approval of the consolidated financial statements, the Group does not have sufficient cash and cash equivalents or available long-term financing facility to fund the repayment of borrowings due within twelve months of 31 December 2015. These conditions, along with other matters as described in Note 2.1.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

#### **OTHER INFORMATION**

##### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the year, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

## **Code of Conduct for Securities Transactions by Directors**

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry had been made to all Directors who confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2015.

## **Corporate Governance Practices**

For the year ended 31 December 2015, the Company had complied with the code provisions (the “Code Provision(s)”) set out in the Corporate Governance Code as contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) (without taking into account of the amendments to the Corporate Governance Code effective from 1 January 2016), except for Code Provision A.2.1.

Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer (the “CEO”) of the Company are both currently carried on by Mr. WONG Hong Gay Patrick Jonathan. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

## **Audit Committee**

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the requirements of the GEM Listing Rules from time to time. In view of the new requirements on risk governance in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules which took effect on 1 January 2016, the Company adopted a revised terms of reference of the Audit Committee with effect from 1 January 2016. Accordingly, the Audit Committee was delegated the authority and responsibility to review the Company’s risk management and internal control systems and to make recommendations to the Board in such regard, in addition to its primary duties to make recommendations to the Board on the appointment and removal of external auditors; to review the financial statements and to provide material advice in respect of financial reporting. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua (chairman of the Audit Committee), Mr. Chan Chi Keung Alan and Ms. Lau Mei Ying.

The financial information set out above in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2015 but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereof for the year ended as set out in this summary have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2015. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers in this announcement.

By Order of the Board  
**Focus Media Network Limited**  
**Wong Hong Gay Patrick Jonathan**  
*Chairman, CEO and Executive Director*

Hong Kong, 23 March 2016

*As at the date of this announcement, the Board comprises Mr. Mr. Wong Hong Gay Patrick Jonathan (Chairman), Mr. Chen Xiaoping, Mr. Mock Wai Yin and Mr. Lam Chun Yin as executive directors; and Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying as independent non-executive directors.*

*This announcement, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("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](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be posted on the Company's website at [www.focusmedia.com](http://www.focusmedia.com).*