FOCUS MEDIA NETWORK

iMediaHouse

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 2012

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.

HIGHLIGHTS

- The Group's turnover for the year of 2012 was approximately HK$53.7 million, representing a decline of approximately 11% over the previous year due mainly to the slowdown in adspend in the second half of 2012.

- Gross profit for the year of 2012 was approximately HK$36.5 million, representing a decline of approximately 25% over the previous year. Gross profit margin decreased 13% to 68% from 81% due mainly to higher cost-of-sales associated with the Group's media partnership with Youku Tudou Inc. as well as certain creative format media placements.

  The Group's negative EBITDA amounted to approximately HK$21.3 million for the year of 2012 as compared to positive EBITDA amounted to approximately HK$8.3 million the previous year.

- Due to the decline in turnover and the increase in operating expenses, the Group recorded a loss attributable to shareholders of approximately HK$27 million for the year of 2012 as compared to a profit attributable to shareholders of approximately HK$2 million the previous year.

- Loss per share for the year was HK cents 8.25 (2011: Earnings per share HK cents 0.72).

- The Board does not recommend the payment of final dividend for the year (2011: Nil).

FINAL RESULTS

The board (the "Board") of directors (the "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 2012 (the "Financial Year") together with comparative figures for the year 2011, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	**2012** *HK$*	2011 *HK$*
Revenue	*3*	**53,661,805**	60,032,678
Cost of sales	*5*	**(17,150,733)**	(11,435,851)
Gross profit		**36,511,072**	48,596,827
Other income	*4*	**499,258**	193,707
Administrative expenses	*5*	**(64,666,253)**	(46,205,116)
Operating (loss)/profit		**(27,655,923)**	2,585,418
Finance costs	*6*	**(57,448)**	(163,252)
(Loss)/profit before income tax		**(27,713,371)**	2,422,166
Income tax credit/(expenses)	*7*	**385,567**	(385,567)
(Loss)/profit for the year attributable to equity holders of the Company		**(27,327,804)**	2,036,599
Other comprehensive income/(loss)			
Currency translation differences		**650,960**	(189,346)
Total comprehensive (loss)/income for the year attributable to equity holders of the Company		**(26,676,844)**	1,847,253
(Loss)/profit for the year attributable to:			
Owners of the Company		**(27,049,208)**	2,036,599
Non-controlling interests		**(278,596)**	—
		(27,327,804)	2,036,599
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(26,398,248)**	1,847,253
Non-controlling interests		**(278,596)**	—
		(26,676,844)	1,847,253
(Loss)/Earnings per share attributable to owners of the Company	*8*		
— Basic and diluted		**HK cents (8.25)**	HK cents 0.72

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	2012 HK$	2011 HK$
ASSETS			
Non-current assets			
Property, plant and equipment		**8,361,024**	5,985,210
Prepayment for acquisition of plant and equipment		**—**	4,000,000
Intangible assets		**3,502,019**	3,355,670
		11,863,043	13,340,880
Current assets			
Trade and other receivables	*9*	**21,126,963**	33,016,461
Pledged bank deposits		**233,290**	239,379
Cash and bank balances		**53,614,392**	61,191,578
		74,974,645	94,447,418
Total assets		**86,837,688**	107,788,298
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**3,280,000**	3,280,000
Share premium		**274,344,873**	274,344,873
Other reserves		**(171,524,358)**	(174,112,428)
Accumulated losses		**(36,225,527)**	(9,634,289)
Equity attributable to owners of the Company		**69,874,988**	93,878,156
Non-controlling interests		**523,046**	—
Total equity		**70,398,034**	93,878,156

Consolidated Statement of Financial Position (Continued)
As at 31 December 2012

	Notes	2012 HK$	2011 HK$
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		**248,870**	645,882
Licence fee payables		**440,636**	670,917
Deferred income tax liabilities		**—**	385,567
		689,506	1,702,366
Current liabilities			
Trade and other payables	*10*	**12,812,779**	11,057,011
Finance lease liabilities		**496,433**	752,923
Deferred revenue		**2,440,936**	397,842
		15,750,148	12,207,776
Total liabilities		**16,439,654**	13,910,142
Total equity and liabilities		**86,837,688**	107,788,298
Net current assets		**59,224,497**	82,239,642
Total assets less current liabilities		**71,087,540**	95,580,522

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company									
	Share capital HK$	Share premium HK$	Capital reserve HK$	Exchange reserve HK$	Warrant reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance as at 1 January 2011	—	—	55,778,953	(369,512)	—	—	(11,670,888)	43,738,553	—	43,738,553
Comprehensive income										
Profit for the year	—	—	—	—	—	—	2,036,599	2,036,599	—	2,036,599
Other comprehensive loss										
Currency translation differences	—	—	—	(189,346)	—	—	—	(189,346)	—	(189,346)
Total comprehensive income	—	—	—	(189,346)	—	—	2,036,599	1,847,253	—	1,847,253
Transactions with owners										
Contribution by equity holders	—	—	2,697,137	—	—	—	—	2,697,137	—	2,697,137
Issue of shares	8	—	—	—	—	—	—	8	—	8
Repurchase of issued shares	(8)	—	—	—	—	—	—	(8)	—	(8)
Share swap pursuant to the Reorganisation	100	234,943,440	(234,943,540)	—	—	—	—	—	—	—
Capitalisation issue	2,459,800	(2,459,800)	—	—	—	—	—	—	—	—
Issue of ordinary shares	820,100	41,861,233	—	—	—	—	—	42,681,333	—	42,681,333
Share option scheme	—	—	—	—	—	2,913,880	—	2,913,880	—	2,913,880
Total transactions with owners	3,280,000	274,344,873	(232,246,403)	—	—	2,913,880	—	48,292,350	—	48,292,350
Balance as at 31 December 2011	3,280,000	274,344,873	(176,467,450)	(558,858)	—	2,913,880	(9,634,289)	93,878,156	—	93,878,156
Balance at 1 January 2012	**3,280,000**	**274,344,873**	**(176,467,450)**	**(558,858)**	**—**	**2,913,880**	**(9,634,289)**	**93,878,156**	**—**	**93,878,156**
Comprehensive loss										
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(27,049,208)**	**(27,049,208)**	**(278,596)**	**(27,327,804)**
Other comprehensive income										
Currency translation differences	**—**	**—**	**—**	**650,960**	**—**	**—**	**—**	**650,960**	**—**	**650,960**
Total comprehensive loss	**—**	**—**	**—**	**650,960**	**—**	**—**	**(27,049,208)**	**(26,398,248)**	**(278,596)**	**(26,676,844)**
Transactions with owners										
Share option scheme	**—**	**—**	**—**	**—**	**—**	**1,783,614**	**457,970**	**2,241,584**	**—**	**2,241,584**
Issuance of warrant	**—**	**—**	**—**	**—**	**153,496**	**—**	**—**	**153,496**	**—**	**153,496**
Non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**801,642**	**801,642**
Total transactions with owners	**—**	**—**	**—**	**—**	**153,496**	**1,783,614**	**457,970**	**2,395,080**	**801,642**	**3,196,722**
Balance at 31 December 2012	**3,280,000**	**274,344,873**	**(176,467,450)**	**92,102**	**153,496**	**4,697,494**	**(36,225,527)**	**69,874,988**	**523,046**	**70,398,034**

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 2801, 28th Floor, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries are provision of out-of-home advertising services.

The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The consolidated financial information of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial information have been prepared under the historical cost convention.

(a) The following new HKFRSs are mandatory for the first time for the financial year beginning on 1 January 2012. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

(b) The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2012 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statement — Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	Employee Benefit	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interest in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Apart from the above, a number of improvements and minor amendments to HKFRSs have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2012 and have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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.

3. 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.

Management regularly reviews the operating results from geographical perspective. The reportable operating segments derive their revenue primarily from the advertising. Management assesses the performance of the following segments:

— Hong Kong

— Singapore

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 2012 and 2011 is as follows:

	Hong Kong	**Singapore**	**Total**
	HK$	*HK$*	*HK$*
For the year ended 31 December 2012			
Segment revenue	33,943,074	21,006,451	54,949,525
Inter-segment revenue	(1,287,720)	—	(1,287,720)
Revenue (from external customers)	32,655,354	21,006,451	53,661,805
Segment results	20,691,513	15,819,559	36,511,072
For the year ended 31 December 2011			
Segment revenue	38,497,855	22,014,349	60,512,204
Inter-segment revenue	(397,199)	(82,327)	(479,526)
Revenue (from external customers)	38,100,656	21,932,022	60,032,678
Segment results	29,653,344	18,943,483	48,596,827

The revenue from external parties reported to the Group's senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

A reconciliation of gross profit to (loss)/profit before income tax is provided as follows:

	2012	2011
	HK$	*HK$*
Segment results	**36,511,072**	48,596,827
Other income	**499,258**	193,707
Administrative expenses	**(64,666,253)**	(46,205,116)
Operating (loss)/profit	**(27,655,923)**	2,585,418
Finance costs	**(57,448)**	(163,252)
(Loss)/profit before income tax	**(27,713,371)**	2,422,166

The Group is headquartered in Hong Kong. Revenue derived from external customers in Hong Kong and Singapore are HK$32,655,354 (2011: HK$38,100,656) and HK$21,006,451 (2011: HK$21,932,022) respectively.

The total non-current assets located in Hong Kong and Singapore are HK$9,738,793 (2011: HK$11,322,296) and HK$2,124,250 (2011: HK$2,018,584) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2012 (2011: Nil).

Breakdown of revenue from all activities is as follows:

	2012	2011
	HK$	*HK$*
Advertising fees	**53,661,805**	60,032,678

4. OTHER INCOME

	2012	2011
	HK$	*HK$*
Net exchange gain/(loss)	**120,369**	(15,714)
Interest income	**929**	471
Sundry income	**377,960**	208,950
	499,258	193,707

5. EXPENSES BY NATURE

	2012	2011
	HK$	*HK$*
Revenue sharing with landlords of Office and Commercial Networks *(Note a)*	**4,487,959**	4,813,523
Revenue sharing with landlords of In-store Network *(Note a)*	**2,327,808**	2,278,414
Revenue sharing with Youku Inc.	**5,681,875**	128,012
Sale commission	**3,112,587**	2,527,803
Production and installation	**1,120,012**	1,267,608
Auditor's remuneration	**1,376,931**	1,295,925
Depreciation	**3,157,623**	2,200,845
Amortisation	**654,492**	654,491
Operating lease payments	**2,517,668**	2,253,584
Employee benefit expenses excluding equity-based compensation	**23,133,629**	19,768,166
Equity-based compensation	**2,241,583**	2,902,128
Marketing and promotion expenses	**18,287,826**	10,105,198
Travelling expenses	**1,901,363**	1,456,029
Provision for impairment of trade receivables *(Note 9)*	**1,038,747**	414,806
Professional parties fees	**4,558,818**	741,838
Other expenses	**6,218,065**	4,832,597
Total cost of sales and administrative expenses	**81,816,986**	57,640,967

Note:

(a) There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks was calculated based on the rates agreed between the Group and landlords and is recognised as cost of sales when the related advertisements are telecasted.

6. FINANCE COSTS

	2012	2011
	HK$	*HK$*
Interest expense		
— Finance lease liabilities wholly repayable within 5 years	**43,624**	57,527
— Licence fee liabilities wholly repayable within 5 years	**13,824**	105,725
	57,448	163,252

7. INCOME TAX (CREDIT)/EXPENSES

	2012	2011
	HK$	*HK$*
Current income tax	**—**	—
— Hong Kong profits tax	**—**	—
— Singapore income tax	**—**	—
Deferred income tax	**(385,567)**	385,567
	(385,567)	385,567

No provision for Hong Kong and Singapore profits tax has been made in these consolidated financial statements as the Group has no assessable profits for the year ended 31 December 2012 (2011: Tax losses brought forward from previous years exceed the estimated assessable profits). The profits tax rates for Hong Kong and Singapore are 16.5% (2011: 16.5%) and 17% (2011: 17%) respectively.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings 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.

	2012	2011
(Loss)/earnings attributable to equity holders of the Company (HK$)	**(27,049,208)**	2,036,599
Weighted average number of ordinary share in issue	**328,000,000**	281,268,961
Basic (loss)/earnings per share	**HK cents (8.25)**	HK cents 0.72

(b) Diluted

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 December 2012 (2011: same).

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$	*HK$*
Trade receivables — third parties	**19,792,940**	29,005,610
Less: provision for impairment of trade receivables	**(1,328,900)**	(414,806)
Trade receivables — net	**18,464,040**	28,590,804
Prepayments, deposits and other receivables	**2,662,923**	8,425,657
	21,126,963	37,016,461
Less non-current portion: Prepayment for acquisition of plant and equipment	**—**	(4,000,000)
Current portion	**21,126,963**	33,016,461

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$11,657,661 (2011: HK$8,750,273) 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$1,328,900 (2011: HK$414,806). The ageing analysis of these trade receivables is as follows:

	2012	2011
	HK$	*HK$*
Neither past due nor impaired	**6,806,379**	19,840,531
0–30 days past due	**6,193,912**	3,677,996
31–60 days past due	**2,190,944**	2,145,857
Over 61 days past due	**3,272,805**	2,926,420
Past due but not impaired *(Note a)*	**11,657,661**	8,750,273
	18,464,040	28,590,804

Note:

(a) Past due but not impaired comprised of receivables from 64 customers with 164 campaign orders.

10. TRADE AND OTHER PAYABLES

	2012	2011
	HK$	*HK$*
Trade payables	**49,191**	46,500
Licence fee payable	**831,324**	587,219
Other payables	**2,721,945**	2,702,751
Accruals	**9,210,319**	7,720,541
	12,812,779	11,057,011

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.

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

	2012	2011
	HK$	*HK$*
Current	**48,141**	2,250
0–30 days past due	**—**	8,750
Over 60 days past due	**1,050**	35,500
	49,191	46,500

11. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of the factory are payable as follows:

	2012	2011
	HK$	*HK$*
No later than 1 year	**617,265**	2,593,801
Later than 1 year and no later than 5 years	**—**	600,602
	617,265	3,194,403

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a well-established digital Out-of-Home ("OOH") media company in Hong Kong and Singapore, with an operating history since April 2004. The Group had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisements. In terms of the number of venues in which it deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. In September of 2012, the Group completed the deployment of its digital OOH media network at the elevator lobbies of all three of Singapore's tallest skyscrapers — namely One Raffles Place, Republic Plaza and UOB Plaza. In early January 2013, the Group completed the deployment of its digital OOH media network at the Gateway Twin Towers (designed by I. M. Pei) in Singapore, and attained its 1,000th building under the Group's Office and Commercial Building digital OOH media network.

Attaining the Group's 1,000th building in its Office & Commercial Building digital OOH media network is a testament to the success of the Group's unique business model; adding value to its real-estate partners and connecting its audience with its advertising clients. Building a viable business, one brick (building) at a time, until the Group is now the largest digital OOH media company in Hong Kong and Singapore in terms of the number of venues in which the Group deploys its flat-panel displays. The Group would not have succeeded without the support from its shareholders, partners, clients and employees. Leveraging on what it has built, the Group is witnessing tremendous new opportunities in the fast-growing OOH advertising sector. The number of venues in which the Group deploys its flat-panel displays continued to experience double-digit growth over the previous year which allowed the Group to increase the advertising rates offered to its advertisers.

During the year ended 31 December 2012, turnover was generated from a total of 256 customers; comprising 153 new customers and 103 repeat customers, demonstrating the Group's medium is still very much attracting new advertisers onboard. The total adspend from the 103 repeat customers increased by approximately 8% over the previous year and contributed to approximately 52% (2011: 46%) of the Group's total turnover.

The table below shows the growth of the Group's network size:

Number of venues

Region	Network	2012	2011	% Increase (2012)
Hong Kong	Office and Commercial Network	607	559	9%
Hong Kong	In-store Network (Mannings)	200	200	0%
Singapore	Office and Commercial Network	398	335	19%
Singapore	HDB Shopping Centres	21	21	0%
Singapore	In-store Network (Watsons)	50	50	0%
Total number of venues		1,276	1,165	10%

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

In HK$	2012		2011		2010		2009	
Health/Personal care/Cosmetics	11,811,400	22%	14,220,471	24%	13,055,467	27%	8,030,559	24%
Entertainment/Media	12,164,918	23%	12,067,438	20%	9,504,454	20%	4,684,139	14%
Food & Beverages	6,382,914	12%	7,696,632	13%	2,788,726	6%	2,092,322	6%
Banking/Finance/Insurance	4,395,542	8%	4,465,599	7%	3,540,672	7%	3,420,720	10%
Electronics	2,462,305	5%	510,001	1%	2,608,915	5%	2,974,553	9%
Government	2,292,994	4%	4,075,764	7%	1,987,877	4%	2,246,514	7%
Mobile Phone	1,507,531	3%	1,522,484	2%	1,549,110	3%	1,615,618	5%
Others	12,644,201	23%	15,474,280	26%	13,510,700	28%	8,527,473	25%
Total	53,661,805	100%	60,032,669	100%	48,545,921	100%	33,591,898	100%

China media partnerships

Since the Group's listing in July 2011, it had embarked on a journey to diversify its business across new media platforms and into new markets and territories. In February 2012, the Group expanded its media partnership with Youku Inc. (NYSE: YOKU; "YOKU"), China's leading Internet television company. As a result of the success of its initial partnership with YOKU in the territory of Hong Kong and Macau, both parties decided to expand the geographic coverage of their partnership to other overseas regions outside of mainland China. In August 2012, YOKU and Tudou Holdings (NASDAQ: TUDO) completed the merger of their two companies, solidifying their position as the most recognized online video brand in China, with approximately 90% share of the online video market. In December 2012, the Group jointly launched the inaugural season of "Discover Singapore" and the follow-on second season of "Discover Hong Kong/Macau" with YOKU. In 2013, the Group will be replicating this model in Taiwan. The "Discover" series is a joint-development between the Group and YOKU of the first digital section on YOKU, dedicated to advertisers seeking to reach tourists from mainland China.

In January 2013, the Group was appointed as a media sales representative partner outside of mainland China for Tulip Media; China's largest out-of-home LED media network, with a network of over 200 large LED billboards. Meanwhile, the Group continues to act as the exclusive media sales representative partner in Hong Kong and Singapore for Focus Media Holdings (NASDAQ: FMCN); China's largest lifestyle targeted out-of-home interactive digital media network. During the same month, the Group was appointed as the exclusive media sales representative partner outside of mainland China for Douban; China's biggest spontaneous social network.

In February 2013, the Group was appointed as a media sales representative partner in Hong Kong/ Macau, Singapore and Taiwan; representing Baidu (NASDAQ: BIDU), China's largest search engine with approximately 80% share of the Chinese search market.

The Group will continue to seek out viable collaborations and partnerships with leading media enterprises in mainland China as part of its low-cost and low-risk market entry strategy to meet advertisers' growing demand for quality media and advertising assets in mainland China.

New media platforms & network expansion

On the home-front, the Group has been leveraging on its core business infrastructure to expand its network coverage and to create new digital OOH platforms and advertising opportunities for its customers. In December 2012, the Group commenced the trial of its digital OOH media network at elevator lobbies of major private residential complexes in Hong Kong. Leveraging on the existing infrastructure of the Group's Office and Commercial Building digital OOH media network and its relationships with Hong Kong's leading real-estate developers, the Group plans to officially launch its new Residential digital OOH media network covering residential buildings once the trial is proven successful with its advertisers.

As retail sales continues to surge due to the sustained growth in mainland China tourists, Hong Kong advertisers are increasing their investments in OOH media assets, particularly on large static billboards. To meet this demand, and leveraging on the Group's relationships with its real-estate partners, the Group has signed trial agreements with its landlord partners and will soon be launching its static OOH billboard media offerings for the Group's advertisers.

As a result of the increased demand for advertising airtime on the Group's Mannings in-store digital network, the Group will be expanding its in-store digital network at Mannings from the current 200 stores to its full network of over 300 stores in Hong Kong. With the expanded network coverage, the Group will be able to fulfill the needs of its advertisers in reaching their customers at the point-of-sale within the retail chain-stores. As well, the Group will be expanding its Watsons in-store digital network from the current 50 stores to its full network of over 100 stores in Singapore.

There are other new revenue projects that have been in the works but not yet reached fruition and the Group will announce them at the appropriate time. The Group has laid a solid foundation and established an infrastructure to leverage on its core assets and resources of its relationships with its partners and advertisers to continuously create new revenue streams, and the Group will continue its endeavours to expand its business by the implementation of the various future plans and growth strategies as presented in the prospectus of the Company dated 30 June 2011 (the "Prospectus") and in the 2011 Annual Report.

Fund raising

In November 2012, Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (formerly Stark Investments) subscribed to warrants conferring the right to subscribe for new shares of up to 10% of the existing issued share capital of the Company. The HK$1.29 subscription price was priced at a premium of approximately 18% over the closing price on the last trading day prior to the subscription. It is expected that approximately HK$42 million will be raised from the issue of new shares upon the full exercise of the subscription rights attached to the warrants. Details of this announcement are posted on the Company's website. The Group is thrilled that brand name investors such as Credit Suisse and Orchard Capital Partners have shown confidence in the Company and it is just as confident that these investors can add tremendous value to the Group.

Synergistic acquisitions

In respect of the Group's on-going efforts to explore potential synergistic acquisitions that can leverage on its existing partnerships with its real-estate partners and its advertiser base, as previously announced in April 2012 (details of the announcement are posted on the Company's website), the Group had proposed the acquisition of a group of media companies that own an extensive portfolio of outdoor space in Hong Kong, conditional upon the Group assembling the required financing. While the Group had succeeded in securing a major media-investor to jointly finance the proposed acquisition, the global financial markets had deteriorated since the time when the Group signed the non-binding MOU with the target company. Due to the uncertain economic environment and financial markets and the slowdown in adspend in the second half of 2012, the Group had in the fourth quarter of 2012 decided to adopt a more prudent approach to wait for signs of the economy improving before it continues its pursuit for synergistic acquisitions.

Financial Review

In HK$	**2012**	**2011**	**2010**	**2009**
Turnover	53,661,805	60,032,678	48,545,921	33,591,898
Gross profit	36,511,072	48,596,827	38,783,624	26,410,163
EBITDA *(Note 1)*	(21,323,630)	8,342,882	13,746,000	7,514,000
Net (loss)/profit	(27,327,804)	2,036,599	11,747,177	5,383,109

Note 1: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, and amortization of intangible assets. 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 2012 was approximately HK$53.7 million, representing a decline of approximately 11% over the previous year due mainly to the slowdown in adspend in the second half of 2012.

Gross profit for the year of 2012 was approximately HK$36.5 million, representing a decline of approximately 25% over the previous year. Gross profit margin decreased 13% to 68% from 81% due mainly to higher cost-of-sales associated with the Group's media partnership with Youku Tudou Inc. as well as certain creative format media placements.

The Group's total operating expenses (including non-cash equity-based compensation and depreciation) for year of 2012 were approximately HK$64.7 million, representing an increase of approximately 40% over the previous year. The increase in total operating expenses for the year of 2012 over the previous year was due to:

(1) increase in payroll cost (including non-cash equity-based compensation) as a result of increase in headcounts and staff remuneration as the Group continues to invest in hiring and retaining the best talents;

(2) increase in capital expenditure associated with the Group's network expansion as the Group continues to invest to expand its existing digital network and launch of new digital networks;

(3) increase in professional parties' fees and other listing related costs (note: the Company was publicly-traded for only five months in the year 2011); and

(4) increase in non-recurring marketing expenses as the Group ramps up investments in marketing to advertisers, real-estate developers and investors.

The Group's negative EBITDA amounted to approximately HK$21.3 million for the year of 2012 as compared to positive EBITDA amounted to approximately HK$8.3 million the previous year.

Due to the decline in turnover and the increase in operating expenses, the Group recorded a loss attributable to shareholders of approximately HK$27 million for the year of 2012 as compared to a profit attributable to shareholders of approximately HK$2 million the previous year.

Liquidity and financial resources

The Group has adopted a prudent financial management strategy and maintained a healthy liquidity position as at 31 December 2012. The Group had cash and cash equivalents of HK$53,614,392 as at 31 December 2012 (2011: HK$61,191,578). 2012 had been a year of investments and the development of new revenue streams. The Group's work invested during the year has begun to bear fruits in the last three months as it has launched and will be launching numerous new media partnerships and new OOH media platforms. Apart from providing working capital to support the media sales and business development of its existing business, the Group maintains a strong cash position to meet the needs for potential new business expansion and development.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 1.1% as at 31 December 2012 (2011: approximately 1.5%).

Foreign exchange

For the year ended 31 December 2012, 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. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2012, 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 on 28 July 2011. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 December 2012, the Group did not have any significant capital commitments (2011: Nil).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

Information on employees

As at 31 December 2012, the Group had 63 employees (2011: 61), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately HK$23.1 million for the year ended 31 December 2012 as compared to approximately HK$19.8 million for the year ended 31 December 2011. 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. For the year ended 31 December 2012, 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, during the year ended 31 December 2012, the Group did not hold any significant investment in equity interest in any company.

Future plans for material investments and capital assets

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 December 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 December 2012, the Group did not have any charges on its assets (2011: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2012 (2011: Nil).

OTHER INFORMATION

Use of Proceeds

The Company was incorporated in the Cayman Islands with limited liability on 28 January 2011 as an exempted company and became the holding company of the companies now comprising the Group in 2011. As part of the preparation for listing of the shares of the Company, the Company implemented a capitalisation issue of 245,980,000 shares and an issue of 82,000,000 new shares during the placing for listing (the "Share Placing") in July 2011. All such shares issued were ordinary shares and the 82,000,000 new shares were issued at HK$0.72 per share.

The net proceeds of the Share Placing received by the Company were approximately HK$42.6 million, after deduction of the related share issuance expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Reasons for the Placing and Use of Proceeds" in the Prospectus. As at 31 December 2012, the Company had utilised 87% of the net proceeds earmarked to be utilised by 31 December 2012. The Directors are not aware of material change to the planned use of proceeds as at the date of this announcement. Any net proceed that was not applied immediately have been placed on the short-term interest bearing deposits with authorized financial institutions in Hong Kong as at the date of this announcement.

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.

Interests of the Compliance Adviser

On 25 October 2012, the Company announced that the Company and CIMB Securities (HK) Limited ("CIMB") had mutually agreed to terminate the compliance adviser's agreement dated 29 June 2011 with effect from 25 October 2012 for commercial reasons (the "Announcement"). Save as disclosed in the Announcement, the Company and CIMB confirmed that as at the date of the Announcement there were no other matters relating to the change of compliance adviser that need to be drawn to the attention of the shareholders of the Company and the Stock Exchange.

In the Announcement, the Company also announced that Cinda International Capital Limited ("CICL") had been appointed as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") with effect from 25 October 2012 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after its initial listing (being the year ending 31 December 2013), or until the compliance adviser agreement entered into between the Company and CICL is terminated in accordance with its terms, whichever is earlier.

As notified by CICL, the compliance adviser of the Company, neither CICL nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2012. Pursuant to the agreement dated 25 October 2012 entered into between CICL and the Company, CICL received fees for acting as the compliance adviser of the Company.

Non-Competition Undertaking from Controlling Shareholders

At the time of Listing, each of the controlling shareholders (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company. Each of them has confirmed compliance with such non-competition undertaking. The Board comprising all the independent non-executive directors is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company.

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 has been made to all Directors who have 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 2012.

Corporate Governance Practices

For the year ended 31 December 2012, the Company had complied with the code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code (taking effect from 1 April 2012) 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"), 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 ("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 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee internal control procedures of the Company. The audit committee comprises three independent non-executive Directors, namely Mr. Lien Jown Jing Vincent (chairman of the audit committee), Mr. Rosenkranz Eric Jon and Mr. Chan Chi Keung Alan.

The financial information set out in this announcement above does not constitute the Group's consolidated financial statements for the year ended 31 December 2012 but represents an extract from those financial statements. The financial information has been reviewed by the audit committee and have been agreed by the Group's external auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, to the Group's consolidated financial statements for the year ended 31 December 2012. 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.

Closure of Register of Members

For ascertaining shareholders' right to attend and vote at the forthcoming annual general meeting of the Company to be held on 8 May 2013 (the "Annual General Meeting"), the Register of Members of the Company will be closed from 6 May 2013 (Monday) to 8 May 2013 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. To determine the entitlement to attend and vote at the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 May 2013 (Friday).

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

Hong Kong, 19 March 2013

As at the date of this announcement, the executive Directors are Mr. Wong Hong Gay Patrick Jonathan, Ms. Ngan Toi Yuk, Mr. Tam Kai Kwong Eric, and Mr. Lee Sze Leong; the non-executive Director is Mr. Chan Tsze Wah; and the independent non-executive Directors are Mr. Lien Jown Jing Vincent, Mr. Rosenkranz Eric Jon and Mr. Chan Chi Keung Alan.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkexnews.hk 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.tv.