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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 revenue for the six months ended 30 June 2016 was approximately HK\$36.6 million, representing an increase of approximately 20% over the corresponding period of the previous year.
- The Group's gross profit for the six months ended 30 June 2016 was approximately HK\$23.2 million, representing an increase of approximately 41% over the corresponding period of the previous year. Gross profit margin increased approximately from 54% to 63%.
- The Group's total operating expenses for the six months ended 30 June 2016 were approximately HK\$30.5 million, representing an increase of approximately 19% over the corresponding period of the previous year.
- The Group's negative EBITDA, including RMI Group, amounted to approximately HK\$4 million for the six months ended 30 June 2016. Excluding RMI Group, the Group's negative EBITDA amounted to approximately HK\$1 million as compared to the Group's negative EBITDA amounted to approximately HK\$5.5 million for the corresponding period of the previous year.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$10.4 million (including RMI Group) and a loss attributable to owners of the Company of approximately HK\$7.5 million (excluding RMI Group) for the six months ended 30 June 2016 as compared to a loss attributable to owners of the Company of approximately HK\$8.5 million for the six months ended 30 June 2015.
- Loss per share for the six months ended 30 June 2016 was HK cents 1.13 as compared to loss per share of HK cents 1.65 for the corresponding period of the previous year.
- In May 2016, the Group raised a total of approximately HK\$130 million from the Rights Issue, after deducting related expenses of approximately HK\$4.2 million, net proceeds of approximately HK\$125.8 million was received.
- As at 30 June 2016, the "film deposits and rights" amounted to approximately HK\$138.1 million, with an addition of approximately HK\$1.3 million (applied as to approximately HK\$611,000 for "The Annihilator" and as to approximately HK\$683,000 for "Realm") during the period under review.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2016.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Director") of Focus Media Network Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016 together with comparative unaudited figures for the corresponding period ended 30 June 2015, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
	Notes	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Revenue	3	19,761,463	15,397,198	36,616,002	30,429,469
Cost of sales		<u>(7,183,626)</u>	<u>(7,907,358)</u>	<u>(13,398,692)</u>	<u>(14,007,768)</u>
Gross profit		12,577,837	7,489,840	23,217,310	16,421,701
Other income		13,183	11,895	184,107	487,009
Administrative expenses		<u>(16,010,785)</u>	<u>(13,097,915)</u>	<u>(30,511,112)</u>	<u>(25,602,113)</u>
Operating loss		(3,419,765)	(5,596,180)	(7,109,695)	(8,693,403)
Finance costs	4	(1,472,877)	(3,459)	(3,698,630)	(6,918)
Share of losses of joint ventures		<u>—</u>	<u>(175,639)</u>	<u>—</u>	<u>(273,082)</u>
Loss before income tax	5	(4,892,642)	(5,775,278)	(10,808,325)	(8,973,403)
Income tax expenses	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period		(4,892,642)	(5,775,278)	(10,808,325)	(8,973,403)
Other comprehensive income/ (loss)					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		<u>7,514</u>	<u>454,936</u>	<u>1,115,681</u>	<u>(345,164)</u>
Total comprehensive loss for the period		<u>(4,885,128)</u>	<u>(5,320,342)</u>	<u>(9,692,644)</u>	<u>(9,318,567)</u>
Loss for the period attributable to:					
Owners of the Company		(4,670,273)	(5,553,367)	(10,407,903)	(8,536,182)
Non-controlling interests		<u>(222,369)</u>	<u>(221,911)</u>	<u>(400,422)</u>	<u>(437,221)</u>
		<u>(4,892,642)</u>	<u>(5,775,278)</u>	<u>(10,808,325)</u>	<u>(8,973,403)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(4,662,730)	(5,098,431)	(9,292,173)	(8,881,346)
Non-controlling interests		<u>(222,398)</u>	<u>(221,911)</u>	<u>(400,471)</u>	<u>(437,221)</u>
		<u>(4,885,128)</u>	<u>(5,320,342)</u>	<u>(9,692,644)</u>	<u>(9,318,567)</u>
Loss per share attributable to owners of the Company	8		(As restated)		(As restated)
Basic and diluted (HK cents)		<u>(0.37)</u>	<u>(1.05)</u>	<u>(1.13)</u>	<u>(1.65)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	9	10,622,370	10,467,956
Intangible assets	9	929,070	1,138,572
Film deposits and rights	10	138,149,004	136,845,195
Available-for-sale financial asset		3,000,000	3,000,000
Deposits and prepayments	11	4,299,174	6,398,707
Pledged bank deposits		<u>575,000</u>	<u>548,000</u>
Total non-current assets		<u>157,574,618</u>	<u>158,398,430</u>
Current assets			
Inventories		568,146	730,187
Trade and other receivables	11	20,999,952	34,944,296
Pledged bank deposits		305,933	291,569
Cash and bank balances		<u>83,734,311</u>	<u>28,220,819</u>
Total current assets		<u>105,608,342</u>	<u>64,186,871</u>
Total assets		<u>263,182,960</u>	<u>222,585,301</u>
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	13	22,941,845	3,823,641
Share premium	13	440,528,546	333,877,058
Other reserves		(175,999,793)	(177,115,523)
Accumulated losses		<u>(72,736,090)</u>	<u>(62,328,187)</u>
Equity attributable to owners of the Company		<u>214,734,508</u>	<u>98,256,989</u>
Non-controlling interests		<u>30,040,495</u>	<u>30,440,966</u>
Total equity		<u>244,775,003</u>	<u>128,697,955</u>

		30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade and other payables	12	15,641,116	37,135,965
Borrowing and interest payable		—	52,219,178
Deferred revenue		<u>2,766,841</u>	<u>4,532,203</u>
Total current liabilities		<u>18,407,957</u>	<u>93,887,346</u>
Total equity and liabilities		<u>263,182,960</u>	<u>222,585,301</u>
Net current assets/(liabilities)		<u>87,200,385</u>	<u>(29,700,475)</u>
Total assets less current liabilities		<u>244,775,003</u>	<u>128,697,955</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Warrant reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$			
Balance at 31 December 2014 and 1 January 2015 (audited)	3,280,000	274,344,873	(176,467,450)	(1,140,843)	67,900	4,455,455	(44,389,291)	60,150,644	(189,338)	59,961,306
Changes in equity for the six months ended 30 June 2015										
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(8,536,182)	(8,536,182)	(437,221)	(8,973,403)
Other comprehensive loss										
Currency translation differences	—	—	—	(345,164)	—	—	—	(345,164)	—	(345,164)
Total comprehensive loss	—	—	—	(345,164)	—	—	(8,536,182)	(8,881,346)	(437,221)	(9,318,567)
Transactions with owners										
Issue of shares	168,924	17,135,100	—	—	—	—	—	17,304,024	—	17,304,024
Total transactions with owners	168,924	17,135,100	—	—	—	—	—	17,304,024	—	17,304,024
Balance at 30 June 2015 (unaudited)	3,448,924	291,479,973	(176,467,450)	(1,486,007)	67,900	4,455,455	(52,925,473)	68,573,322	(626,559)	67,946,763
Balance at 31 December 2015 and 1 January 2016 (audited)	3,823,641	333,877,058	(176,467,450)	(2,668,609)	—	2,020,536	(62,328,187)	98,256,989	30,440,966	128,697,955
Changes in equity for the six months ended 30 June 2016										
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(10,407,903)	(10,407,903)	(400,422)	(10,808,325)
Other comprehensive income/(loss)										
Currency translation differences	—	—	—	1,115,730	—	—	—	1,115,730	(49)	1,115,681
Total comprehensive loss	—	—	—	1,115,730	—	—	(10,407,903)	(9,292,173)	(400,471)	(9,692,644)
Transactions with owners										
Rights Issue										
— Proceeds from shares issued	19,118,204	110,885,583	—	—	—	—	—	130,003,787	—	130,003,787
— Rights issue expenses	—	(4,234,095)	—	—	—	—	—	(4,234,095)	—	(4,234,095)
Total transactions with owners	19,118,204	106,651,488	—	—	—	—	—	125,769,692	—	125,769,692
Balance at 30 June 2016 (unaudited)	22,941,845	440,528,546	(176,467,450)	(1,552,879)	—	2,020,536	(72,736,090)	214,734,508	30,040,495	244,775,003

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cash flows used in operating activities	<u>(11,228,918)</u>	<u>(17,605,906)</u>
Cash flows from investing activities		
Payment for film deposits and rights	(1,097,304)	—
Purchase of property, plant and equipment and intangible assets	(2,652,068)	(7,748,947)
Pledged deposit	—	(14,189)
Interest received	<u>190</u>	<u>394</u>
Net cash used in investing activities	<u>(3,749,182)</u>	<u>(7,762,742)</u>
Cash flows from financing activities		
Proceeds from borrowing	30,000,000	—
Repayment of loan	(80,000,000)	—
Loan interest paid	(5,917,808)	—
Proceeds from rights issue	130,003,787	—
Rights issue expenses	(4,234,095)	—
Proceeds from issuance of ordinary shares	<u>—</u>	<u>17,304,024</u>
Net cash generated from financing activities	<u>69,851,884</u>	<u>17,304,024</u>
Net increase/(decrease) in cash and cash equivalents	54,873,784	(8,064,624)
Cash and cash equivalents at beginning of period	28,220,819	37,890,563
Exchange gains/(losses) on cash and cash equivalents	<u>639,708</u>	<u>(186,406)</u>
Cash and cash equivalents at end of period	<u>83,734,311</u>	<u>29,639,533</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	84,615,244	30,521,997
Less: Pledged bank deposits	<u>(880,933)</u>	<u>(882,464)</u>
Cash and cash equivalents per unaudited condensed consolidated statement of cash flows	<u>83,734,311</u>	<u>29,639,533</u>

NOTES TO FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is 6th Floor, 603, 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, retail of skin care products, provision of nursery services and film development, production and distribution.

The Company has its primary listing on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial information have been reviewed by the Company's audit committee.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM on the Stock Exchange (the "GEM Listing Rules").

These unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

These unaudited condensed consolidated interim financial information are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

- (a) The following new or revised HKFRSs are mandatory for the first time for the financial period beginning 1 January 2016. The adoption of these new or revised HKFRSs have no material effect on the Group's results and financial position:

Annual Improvements Project HKAS 1 (Amendment) HKFRS 14 HKFRS 11 (Amendment) HKAS 16 and HKAS 38 (Amendment)	Annual Improvements 2012–2014 Cycle Disclosure Initiative Regulatory Deferral Accounts Accounting for Acquisitions of Interests in Joint Operations Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 10, HKFRS 12, and HKAS 28 (Amendment) HKAS 27 (Amendment)	Investment Entities: Applying the Consolidation Exception Equity Method in Separate Financial Statement

- (b) The following new or revised HKFRSs have been published but are not yet effective for the period ended 30 June 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Apart from the above, a number of improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended 30 June 2016 and have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretation 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 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 period, management regularly reviews the operating results from a perspective of different activities. 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 six months ended 30 June 2016 and 2015 is as follows:

	Advertising and media (Unaudited) <i>HK\$</i>	Retail of skin care products (Unaudited) <i>HK\$</i>	Provision of nursery services (Unaudited) <i>HK\$</i>	Film development, production and distribution (Unaudited) <i>HK\$</i>	Total (Unaudited) <i>HK\$</i>
For the six months ended 30 June 2016					
Segment revenue	35,671,405	1,738,455	311,432	—	37,721,292
Inter-segment revenue	(1,105,290)	—	—	—	(1,105,290)
Revenue (from external customers)	34,566,115	1,738,455	311,432	—	36,616,002
Segment results	22,271,080	636,228	310,002	—	23,217,310
For the six months ended 30 June 2015					
Segment revenue	29,527,428	1,170,362	206,175	—	30,903,965
Inter-segment revenue	(474,496)	—	—	—	(474,496)
Revenue (from external customers)	29,052,932	1,170,362	206,175	—	30,429,469
Segment results	15,855,653	359,873	206,175	—	16,421,701

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Segment results	23,217,310	16,421,701
Other income	184,107	487,009
Administrative expenses	(30,511,112)	(25,602,113)
Operating loss	(7,109,695)	(8,693,403)
Finance costs	(3,698,630)	(6,918)
Share of losses of joint ventures	—	(273,082)
Loss before income tax	(10,808,325)	(8,973,403)

The total non-current assets by the reportable segments as at 30 June 2016 and 31 December 2015 are 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>
As at 30 June 2016					
Non-current assets (Unaudited)	<u>16,720,581</u>	<u>152,266</u>	<u>599,927</u>	<u>140,101,844</u>	<u>157,574,618</u>
As at 31 December 2015					
Non-current assets (Audited)	<u>18,738,132</u>	<u>8,826</u>	<u>853,438</u>	<u>138,798,034</u>	<u>158,398,430</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:

	Hong Kong (Unaudited) <i>HK\$</i>	Singapore (Unaudited) <i>HK\$</i>	United States (Unaudited) <i>HK\$</i>	Total (Unaudited) <i>HK\$</i>
For the six months ended 30 June 2016				
Segment revenue	22,676,280	15,045,012	—	37,721,292
Inter-segment revenue	<u>(358,001)</u>	<u>(747,289)</u>	<u>—</u>	<u>(1,105,290)</u>
Revenue (from external customers)	<u>22,318,279</u>	<u>14,297,723</u>	<u>—</u>	<u>36,616,002</u>
Segment results	<u>13,970,105</u>	<u>9,247,205</u>	<u>—</u>	<u>23,217,310</u>
For the six months ended 30 June 2015				
Segment revenue	19,944,117	10,959,848	—	30,903,965
Inter-segment revenue	<u>(474,496)</u>	<u>—</u>	<u>—</u>	<u>(474,496)</u>
Revenue (from external customers)	<u>19,469,621</u>	<u>10,959,848</u>	<u>—</u>	<u>30,429,469</u>
Segment results	<u>9,539,382</u>	<u>6,882,319</u>	<u>—</u>	<u>16,421,701</u>

As at 30 June 2016, the total non-current assets located in Hong Kong, Singapore and the United States are HK\$13,632,691 (31 December 2015: HK\$13,984,343), HK\$5,792,923 (31 December 2015: HK\$5,616,053) and HK\$138,149,004 (31 December 2015: HK\$138,798,034) respectively.

4 FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Interest expense		
— Borrowings	3,698,630	—
— Licence fee liabilities	—	6,918
	<u>3,698,630</u>	<u>6,918</u>

5 LOSS BEFORE INCOME TAX

Loss before income tax was arrived at after charging:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Revenue sharing with landlords/owners (<i>Note</i>)	4,958,883	5,444,548
Cost of inventories	1,020,876	760,603
Sales commission	2,394,770	1,799,520
Auditor's remuneration	70,000	488,167
Depreciation	2,548,429	2,326,100
Amortisation	209,502	419,748
Operating lease payments	8,209,418	6,905,066
Employee benefit expenses	17,184,756	13,278,346
Marketing and promotional expenses	1,538,905	1,358,250
Professional fees	219,952	511,607

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 INCOME TAX EXPENSES

No provision for Hong Kong, Singapore and the United States profits tax has been made in these unaudited consolidated financial statements as the Group did not derive any assessable profits during the interim period (six months ended 30 June 2015: Nil). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2015: 16.5%), 17% (2015: 17%) and 40% (2015: 40%) respectively.

7 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8 LOSS PER SHARE

(a) Basic

Basic loss per share for the six months ended 30 June 2016 and 2015 are calculated by dividing the results attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
		(As restated)
Loss attributable to owners of the Company (HK\$)	<u>(10,407,903)</u>	<u>(8,536,182)</u>
Weighted average number of ordinary shares in issue	<u>924,579,364</u>	<u>517,518,075</u>
Basic loss per share (HK cents)	<u>(1.13)</u>	<u>(1.65)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2016 and 2015 as the outstanding share options during the periods are anti-dilutive.

On 26 May 2016, the Group completed rights issue of 1,911,820,400 rights shares at HK\$0.068 per rights share on the basis of five rights share for every one existing share held on 3 May 2016. The basic and diluted loss per share for the period ended 30 June 2015 have been restated to take into account the rights issue in which the rights shares are issued at a discount on market price subsequent to the period ended 30 June 2015. The weighted average number of shares outstanding was retrospectively increased to reflect the discount in the rights issue. For the period ended 30 June 2015, the weighted average number of ordinary shares in issue was 330,636,548 before restatement.

9 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment <i>HK\$</i>	Intangible assets <i>HK\$</i>
Year ended 31 December 2015 (Audited)		
Opening net book amount at 1 January 2015	10,941,954	1,978,020
Additions	4,762,725	—
Depreciation and amortisation	(4,902,545)	(839,448)
Exchange difference on translation	(334,178)	—
Closing net book amount at 31 December 2015	<u>10,467,956</u>	<u>1,138,572</u>
Six months ended 30 June 2016 (Unaudited)		
Opening net book amount at 1 January 2016	10,467,956	1,138,572
Additions	2,489,482	—
Depreciation and amortisation	(2,548,429)	(209,502)
Exchange difference on translation	213,361	—
Closing net book amount at 30 June 2016	<u>10,622,370</u>	<u>929,070</u>

10 FILM DEPOSITS AND RIGHTS

	30 June 2016 (Unaudited) <i>HK\$</i>	31 December 2015 (Audited) <i>HK\$</i>
Opening net book amount	136,845,195	—
Acquisition of subsidiaries	—	132,336,077
Additions	1,293,063	4,512,672
Exchange difference on translation	10,746	(3,554)
Closing net book amount	<u>138,149,004</u>	<u>136,845,195</u>

11 TRADE AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Trade receivables — third parties	16,299,192	19,091,369
Less: provision for impairment of trade receivables	<u>(194,998)</u>	<u>(194,998)</u>
Trade receivables — net	16,104,194	18,896,371
Prepayments, deposits and other receivables	<u>9,194,932</u>	<u>22,446,632</u>
	<u>25,299,126</u>	<u>41,343,003</u>
Less non-current portion:		
Rental deposit	(4,109,488)	(2,372,403)
Prepayment for acquisition of plant and equipment	<u>(189,686)</u>	<u>(4,026,304)</u>
Non-current portion	(4,299,174)	(6,398,707)
Current portion	<u>20,999,952</u>	<u>34,944,296</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. As of 30 June 2016, trade receivables of HK\$9,685,628 (31 December 2015: HK\$13,823,614) 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 trade receivables has been provided for the remaining balance of HK\$194,998 (31 December 2015: HK\$194,998). The aging analysis of these trade receivables is as follows:

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Neither past due nor impaired	<u>6,418,566</u>	<u>5,072,757</u>
1–30 days past due	4,151,401	8,126,101
31–60 days past due	2,847,711	1,300,767
Over 61 days past due	<u>2,686,516</u>	<u>4,396,746</u>
Past due but not impaired	<u>9,685,628</u>	<u>13,823,614</u>
	<u>16,104,194</u>	<u>18,896,371</u>

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:

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
At 1 January	194,998	2,112,988
Provision for impairment	—	194,998
Receivables written off during the period/year as uncollectible	—	(1,884,609)
Recovery of impaired receivable during the period/year	—	(244,361)
Exchange difference	—	15,982
	<u>194,998</u>	<u>194,998</u>

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

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
HK\$	15,226,716	32,400,323
Singapore dollars ("SG\$")	<u>10,072,410</u>	<u>8,942,680</u>
	<u>25,299,126</u>	<u>41,343,003</u>

12 TRADE AND OTHER PAYABLES

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Trade payables	84,138	462,884
Licence fee payable	739,745	739,745
Other payables	3,886,830	25,831,926
Accruals	<u>10,930,403</u>	<u>10,101,410</u>
	<u>15,641,116</u>	<u>37,135,965</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.

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

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Current	84,138	462,884
1–30 days past due	—	—
Over 60 days past due	—	—
	<u>84,138</u>	<u>462,884</u>

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

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
HK\$	6,185,934	10,785,615
SG\$	4,124,272	3,756,790
Renminbi	309,414	1,668,771
United States dollars	<u>5,021,496</u>	<u>20,924,789</u>
	<u>15,641,116</u>	<u>37,135,965</u>

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary share	Equivalent nominal value of ordinary share HK\$	Share premium HK\$	Total HK\$
Authorised:				
Ordinary share of HK\$0.01 each				
At 31 December 2015 and				
30 June 2016	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>—</u>	<u>100,000,000</u>
Issued and fully paid:				
At 1 January 2015	328,000,000	3,280,000	274,344,873	277,624,873
Proceeds from ordinary shares issued				
— Share option scheme	7,892,400	78,924	7,898,856	7,977,780
— Warrants	9,000,000	90,000	11,538,631	11,628,631
Issue of ordinary shares related to acquisition of subsidiaries	<u>37,471,680</u>	<u>374,717</u>	<u>40,094,698</u>	<u>40,469,415</u>
At 31 December 2015 (Audited)	<u>382,364,080</u>	<u>3,823,641</u>	<u>333,877,058</u>	<u>337,700,699</u>
At 1 January 2016	382,364,080	3,823,641	333,877,058	337,700,699
Rights issue of ordinary shares				
<i>(Note 1)</i>	<u>1,911,820,400</u>	<u>19,118,204</u>	<u>106,651,488</u>	<u>125,769,692</u>
At 30 June 2016 (Unaudited)	<u>2,294,184,480</u>	<u>22,941,845</u>	<u>440,528,546</u>	<u>463,470,391</u>

Note:

- On 26 May 2016, 1,911,820,400 rights shares at a subscription price of HK\$0.068 per rights share were issued upon completion of the Rights Issue. Accordingly, the number of shares of the Company in issue changed from 382,364,080 shares of HK\$0.01 each to 2,294,184,480 shares of HK\$0.01 each. The net proceeds from the Rights Issue, after deducting directly attributable costs, amounted to approximately HK\$125.8 million.

14 COMMITMENTS AND CONTINGENT LIABILITIES

(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:

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
No later than 1 year	7,061,150	10,079,402
Later than 1 year and no later than 5 years	<u>5,411,160</u>	<u>5,448,518</u>
	<u>12,472,310</u>	<u>15,527,920</u>

(b) Other commitments

At 30 June 2016 and 31 December 2015, the Group had commitments contracted but not provided for as follows:

	30 June 2016 (Unaudited) HK\$	31 December 2015 (Audited) HK\$
Development of film rights	<u>775,550</u>	<u>1,356,005</u>

(c) Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2016 (2015: Nil).

15 RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with a related party:

	Six months ended 30 June 2016 (Unaudited) HK\$	2015 (Unaudited) HK\$
Purchases of services: — A joint venture	<u>—</u>	<u>630,000</u>

Services are bought from a joint venture on normal commercial terms and conditions.

16 SUBSEQUENT EVENTS

The Group and the Company had no significant subsequent events as at the date of this announcement.

17 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 8 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Focus Media Network Limited (the “Company”) together with its subsidiaries (collectively 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 advertisement. In terms of the number of venues in which the Group deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. As of 30 June 2016, the Group has deployed its flat-panel displays at 1,696 venues in Hong Kong and Singapore.

During the six months ended 30 June 2016, the number of venues in which the Group deployed its flat-panel displays continued to experience growth over the corresponding period of the previous year.

Region	Network	Six months ended 30 June 2016	Six months ended 30 June 2015	% Change
Hong Kong	Office and Commercial Network	617	614	0.49%
Hong Kong	In-store Network (Mannings)	247	252	–1.98%
Hong Kong	Residential Network	218	166	31.33%
Singapore	Office and Commercial Network	525	508	3.35%
Singapore	HDB Shopping Centres	18	21	–14.29%
Singapore	In-store Network (Watsons)	71	79	–10.13%
Total number of venues		1,696	1,640	3.41%

For the six months ended 30 June 2016, the Group has deployed its branded flat-panel displays at 1,142 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 247 Mannings retail chain-stores in Hong Kong and at 71 Watsons retail chain-stores in Singapore under its In-store digital OOH media network.

Further leveraging on the existing infrastructure and its relationships with Hong Kong’s leading real-estate developers, the Group expanded its digital OOH media network at major private residential complexes (Residential digital OOH media network) in Hong Kong. As of 30 June 2016, the Group has deployed its branded flat-panel displays at 218 major private residential complexes in Hong Kong under its Residential 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.

The Group had recently been awarded by the Hong Kong Government, the exclusive advertising sales rights to a brand new billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This new billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong island.

As for its 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.

Finally, the Group had also recently won the exclusive advertising sales rights to a brand new billboard at Fortune Center in Singapore; located in the middle of the bustling Bugis District, and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street.

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.

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 Group 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 United States of America (“USA”), 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-ManTM, The Incredible HulkTM, X-MenTM, The Fantastic FourTM, Iron ManTM, Avengers^{TM*} and hundreds of others. Stan currently remains the Chairman Emeritus of Marvel Entertainment, LLC, a wholly-owned subsidiary of The Walt Disney Company.

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

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.

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 phase 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.

Among the abovementioned three motion picture projects, the script development for the “The Annihilator” and “Realm” is at the final stage and these two films are expected to be completed and released in 2018. The Company estimated that the “Replicator & Antilight” would be completed and released in 2019. To better elaborate the Company’s business model in relation to its investment in SLGE, the Company does not participate in the actual production or filming of the motion pictures being developed, such is left to the collaborating partners, which are the studios in Hollywood and/or China, which the Company believes to have the requisite credibility, experience and track record in film making. Neither would the Company participate in the actual distribution or marketing of the motion pictures. All the Company does is to develop the intellectual properties, i.e. the superhero characters that SLGE owns. Once the motion picture projects have been developed, the Company will partner with the leading studios, and the Company will only participate as one of the production equity investors of the production cost.

The production budget per film is expected to be approximately HK\$387 million to HK\$504 million. The total budget for the production of these films is estimated as not less than HK\$1,356 million. The Company intends to finance all the development costs of the motion picture projects and contribute approximately 20% of production cost in the form of production equity and the total funding required by the Company to complete the three films amounting to approximately HK\$342 million. The shortfall in production costs (apart from the capital provided and/or to be provided by the Company), will be financed by the collaborating studios (up to 60% of production cost) and by independent production equity investors (up to 20% of production cost). The Company understands this is the typical and prevailing funding model for the film industry in the USA.

The Directors are optimistic with the future outlook of the media industry and will continue to explore attractive investment opportunities to strengthen the Group's businesses.

To cope with the needs for business operations and development, the Company will from time to time review its funding requirement and explore fund raising opportunities including but not limited to equity financing/debt financing opportunities in the market as and when required.

Financial Review

	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	% Change
in HK\$ (including RMI Group)			
Revenue	36,616,002	30,429,469	20%
Gross Profit	23,217,310	16,421,701	41%
EBITDA (<i>Note 1</i>)	(3,951,342)	(5,510,334)	N/A
Net Loss	(10,808,325)	(8,973,403)	N/A
	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	% Change
in HK\$ (excluding RMI Group)			
Revenue	36,616,002	30,429,469	20%
Gross Profit	23,217,310	16,421,701	41%
EBITDA (<i>Note 1</i>)	(1,009,696)	(5,510,334)	N/A
Net Loss	(7,855,594)	(8,973,403)	N/A

Note 1: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profits/(losses) of joint ventures, amortisation of intangible assets and net of the total comprehensive loss for the period attributable to non-controlling interests. 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.

For the six months ended 30 June 2016, the Group experienced double-digit growth in both revenue and gross profit over the corresponding period of the previous year. The Group's revenue was approximately HK\$36.6 million, representing an increase of approximately 20% over the corresponding period of the previous year.

The Group's gross profit for the six months ended 30 June 2016 was approximately HK\$23.2 million, representing an increase of approximately 41% over the corresponding period of the previous year. Gross profit margin increased approximately from 54% to 63% mainly due to lower cost-of-sales associated with the better performing media network.

The Group's total operating expenses for the six months ended 30 June 2016 were approximately HK\$30.5 million, representing an increase of approximately 19% over the corresponding period of the previous year. The increase was due to the office rental and headcount of RMI and its subsidiaries (together, "RMI Group") which was acquired in August 2015. Currently, RMI Group has three films in development stage and it is expected that further financial resources would be incurred in this business prior to the release of films in 2018 and 2019. Management is confident that the films would contribute positive return to the Group in the future.

For the six months ended 30 June 2016, the Group's negative EBITDA, including RMI Group, amounted to approximately HK\$4 million. Excluding RMI Group, the Group's negative EBITDA amounted to approximately HK\$1 million as compared to the Group's negative EBITDA amounted to approximately HK\$5.5 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$10.4 million (including RMI Group) and a loss attributable to owners of the Company of approximately HK\$7.5 million (excluding RMI Group) for the six months ended 30 June 2016 as compared to a loss attributable to owners of the Company of approximately HK\$8.5 million for the corresponding period of the previous year.

Completion of Rights Issue

On 26 May 2016, the Company completed a rights issue of five rights shares for every one existing share held by shareholders of the Company at the record date of 3 May 2016 at the subscription price of HK\$0.068 per rights share and a total of 1,911,820,400 rights shares of the Company were issued (the "Rights Issue"). The Group raised a total of approximately HK\$130 million from the Rights Issue, after deducting related expenses of approximately HK\$4.2 million, net proceeds of approximately HK\$125.8 million was received. The Group has utilised approximately HK\$83.5 million for full repayment of the principal amounts and accrued interests of its short term loans due in May 2016; it intends to apply not more than HK\$45 million for film development and production, and the remaining

(if any) for general and corporate working capital purpose. For details of the Rights Issue, please refer to the Company's announcements dated 16 March 2016, 22 April 2016 and 25 May 2016; its circular dated 5 April 2016 and prospectus dated 4 May 2016.

Liquidity and financial resources

During the period under review, the Group financed its daily operations with internally generated resources, short-term loans and net proceeds from the Rights Issue. The Group had net current assets of approximately HK\$87.2 million (31 December 2015: net current liabilities of HK\$29.7 million) and cash and cash equivalents amounted to approximately HK\$83.7 million as at 30 June 2016 (31 December 2015: HK\$28.2 million), mainly attributing to net proceeds from the Rights Issue after full repayment of its short-term loans and accrued interests. The Group had no borrowings outstanding as at 30 June 2016.

Gearing ratio

The gearing ratio of the Group, calculated as the percentage of the Group's total borrowings over shareholders' fund, was nil as at 30 June 2016 (31 December 2015: 51%).

Foreign exchange

For the six months ended 30 June 2016, 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 period under review, 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. The capital of the Company comprises ordinary shares and capital reserves. Upon completion of the Rights Issue on 26 May 2016, the number of shares of the Company in issue was increased from 382,364,080 shares of HK\$0.01 each to 2,294,184,480 shares of HK\$0.01 each. Please refer to Note 13 of the Notes to Financial Information of this announcement for details of the share capital and share premium.

Dividend

The board of directors of the Company (the "Board") does not recommend the payment of any dividend for the six months ended 30 June 2016 (2015: Nil).

Information on employees

As at 30 June 2016, the Group had 93 employees (30 June 2015: 87), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the six months ended 30 June 2016 were approximately HK\$17.2 million, including equity-based compensation, as compared to approximately HK\$13.3 million for the corresponding period of the previous year. 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 six months ended 30 June 2016, 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 six months ended 30 June 2016.

Material acquisitions and disposals of subsidiaries and affiliated companies and future plans for material investments

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

Charges on assets

As at 30 June 2016, the Group did not have any charges on its assets (31 December 2015: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

OTHER INFORMATION

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

During the six months ended 30 June 2016, 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.

Competition and Conflict of Interests

During the six months ended 30 June 2016, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2016.

Corporate Governance Practices

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

During the six months ended 30 June 2016, the Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules, except the following:

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 audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with the GEM Listing Rules requirements from time to time. The primary duties of the Audit Committee are mainly 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. It was also delegated the authority and responsibility to review the Company’s risk management and internal control systems so as to make recommendations to the Board if necessary. 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 unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2016 have not been audited or reviewed by the Company’s auditor, PricewaterhouseCoopers, but have been reviewed by the audit committee of the Company, which is of the opinion that the interim financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 8 August 2016

As at the date of this announcement, the executive Directors are Mr. Wong Hong Gay Patrick Jonathan (Chairman), Mr. Chen Xiaoping, Mr. Mock Wai Yin, Ms. Lam Hoi Yu Nicki and Mr. Wang Jun; and the independent non-executive Directors are Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lam Mei Ying.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at 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.