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 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.

FINANCIAL HIGHLIGHTS

- The Group's revenue for the year ended 31 December 2016 was approximately HK$80.6 million, representing an increase of approximately 12% over the previous year.

- The Group's gross profit for the year ended 31 December 2016 was approximately HK$47.6 million, representing an increase of approximately 14% over the previous year. Gross profit margin slightly increased from approximately 58% to 59% due to lower cost-of-sales associated with the better performing media network.

- The Group's administrative expenses for the year ended 31 December 2016 was approximately HK$65.8 million, representing an increase of approximately 16% over the previous year. The increase in administrative expenses was mainly due to the office rental and headcount of new business acquired.

- For the year ended 31 December 2016, the Group's negative EBITDA, including RMI Group and GCL Group (Note), amounted to approximately HK$10.0 million. Excluding RMI Group and GCL Group, the Group's negative EBITDA amounted to approximately HK$2.8 million as compared to the Group's negative EBITDA amounted to approximately HK$3.7 million for the previous year.

- The Group recorded a loss attributable to owners of the Company of approximately HK$19.5 million (including RMI Group and GCL Group) and a loss attributable to owners of the Company of approximately HK$12.1 million (excluding RMI Group and GCL Group) for the year ended 31 December 2016 as compared to a loss attributable to owners of the Company of approximately HK$15.2 million for the previous year.

- Loss per share for the year ended 31 December 2016 was HK cents 12.1 as compared to loss per share of HK cents 32.4 (as restated) for the previous year.

- The Board does not recommend the payment of any dividend for the year ended 31 December 2016.

Note: In August 2015, the Group successfully acquired Ricco Media Investments Limited ("RMI", together with its subsidiaries, the "RMI Group").

In November 2016, the Group successfully acquired 100% issued share capital of Glory Creator Limited and its 80% owned subsidiary, Cornerstone Securities Limited (collectively, "GCL Group").

FINAL RESULTS

The board (the "Board") of Directors of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Financial Year") together with comparative figures for the previous corresponding year as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	**2016** *HK$*	2015 *HK$*
Revenue	*3*	**80,646,748**	72,306,609
Cost of sales	*5*	**(33,078,227)**	(30,676,437)
Gross profit		**47,568,521**	41,630,172
Other income/(loss) — net	*4*	**1,624,940**	(734,066)
Administrative expenses	*5*	**(65,807,238)**	(56,891,090)
Operating loss		**(16,613,777)**	(15,994,984)
Finance costs	*6*	**(3,698,644)**	(2,250,526)
Share of losses of joint ventures		**—**	(690,748)
Share of loss of an associate		**(118,354)**	—
Loss before income tax		**(20,430,775)**	(18,936,258)
Income tax expenses	*7*	**—**	—
Loss for the year		**(20,430,775)**	(18,936,258)
Other comprehensive loss:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(523,789)**	(1,527,740)
Total comprehensive loss for the year		**(20,954,564)**	(20,463,998)
Loss for the year attributable to:			
Owners of the Company		**(19,460,622)**	(18,139,328)
Non-controlling interests		**(970,153)**	(796,930)
		(20,430,775)	(18,936,258)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(19,984,259)**	(19,667,094)
Non-controlling interests		**(970,305)**	(796,904)
		(20,954,564)	(20,463,998)
Loss per share attributable to owners of the Company			
			(As restated)
— Basic and diluted	*8*	**(HK cents 12.1)**	(HK cents 32.4)

Consolidated Statement of Financial Position
As at 31 December 2016

	Note	2016 HK$	2015 HK$
ASSETS			
Non-current assets			
Property, plant and equipment		**11,239,747**	10,467,956
Intangible assets		**3,500,050**	1,138,572
Film deposits and rights	*9*	**138,912,831**	136,845,195
Available-for-sale financial asset		**3,000,000**	3,000,000
Deposits and prepayments		**4,621,740**	6,398,707
Pledged bank deposits		**285,184**	548,000
Interest in an associate		**1,131,646**	—
		162,691,198	158,398,430
Current assets			
Inventories		**1,107,786**	730,187
Trade and other receivables	*10*	**28,945,149**	34,944,296
Financial asset at fair value through profit or loss		**388,500**	—
Pledged bank deposits		**—**	291,569
Cash held on behalf of brokerage clients		**20,665,616**	—
Cash and cash equivalents		**73,248,475**	28,220,819
		124,355,526	64,186,871
Total assets		**287,046,724**	222,585,301
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**22,941,845**	3,823,641
Share premium		**440,528,546**	333,877,058
Other reserves		**(177,639,160)**	(177,115,523)
Accumulated losses		**(81,788,809)**	(62,328,187)
Equity attributable to owners of the Company		**204,042,422**	98,256,989
Non-controlling interests		**35,470,661**	30,440,966
Total equity		**239,513,083**	128,697,955

Consolidated Statement of Financial Position (Continued)
As at 31 December 2016

	Note	2016 HK$	2015 HK$
LIABILITIES			
Current liabilities			
Trade and other payables	11	**24,328,754**	37,135,965
Accounts payable to brokerage clients		**20,678,343**	—
Borrowing and interest payable		**—**	52,219,178
Deferred revenue		**2,526,544**	4,532,203
		47,533,641	93,887,346
Total equity and liabilities		**287,046,724**	222,585,301
Net current assets/(liabilities)		**76,821,885**	(29,700,475)
Total assets less current liabilities		**239,513,083**	128,697,955

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners 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 at 1 January 2016	**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**
Comprehensive loss										
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(19,460,622)**	**(19,460,622)**	**(970,153)**	**(20,430,775)**
Other comprehensive loss										
Currency translation differences	**—**	**—**	**—**	**(523,637)**	**—**	**—**	**—**	**(523,637)**	**(152)**	**(523,789)**
Total comprehensive loss	**—**	**—**	**—**	**(523,637)**	**—**	**—**	**(19,460,622)**	**(19,984,259)**	**(970,305)**	**(20,954,564)**
Transactions with owners										
Rights issue *(Note a)*										
— Proceeds from rights issue	**19,118,204**	**110,885,583**	**—**	**—**	**—**	**—**	**—**	**130,003,787**	**—**	**130,003,787**
— Rights issue expenses	**—**	**(4,234,095)**	**—**	**—**	**—**	**—**	**—**	**(4,234,095)**	**—**	**(4,234,095)**
Capital contribution from non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,000,000**	**6,000,000**
Total transactions with owners	**19,118,204**	**106,651,488**	**—**	**—**	**—**	**—**	**—**	**125,769,692**	**6,000,000**	**131,769,692**
Balance at 31 December 2016	**22,941,845**	**440,528,546**	**(176,467,450)**	**(3,192,246)**	**—**	**2,020,536**	**(81,788,809)**	**204,042,422**	**35,470,661**	**239,513,083**
Balance at 1 January 2015	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
Comprehensive loss										
Loss for the year	—	—	—	—	—	—	(18,139,328)	(18,139,328)	(796,930)	(18,936,258)
Other comprehensive loss										
Currency translation differences	—	—	—	(1,527,766)	—	—	—	(1,527,766)	26	(1,527,740)
Total comprehensive loss	—	—	—	(1,527,766)	—	—	(18,139,328)	(19,667,094)	(796,904)	(20,463,998)
Transactions with owners										
Share option scheme										
— Proceeds from shares issued	78,924	7,898,856	—	—	—	(2,283,756)	—	5,694,024	—	5,694,024
— Transfer upon forfeiture of share options	—	—	—	—	—	(151,163)	151,163	—	—	—
Warrants *(Note b)*										
— Proceeds from shares issued	90,000	11,538,631	—	—	(18,631)	—	—	11,610,000	—	11,610,000
— Transfer upon lapse of warrants	—	—	—	—	(49,269)	—	49,269	—	—	—
Issue of ordinary shares related to acquisition of subsidiaries	374,717	40,094,698	—	—	—	—	—	40,469,415	—	40,469,415
Non-controlling interests arising on acquisition of subsidiaries	—	—	—	—	—	—	—	—	31,427,208	31,427,208
Total transactions with owners	543,641	59,532,185	—	—	(67,900)	(2,434,919)	200,432	57,773,439	31,427,208	89,200,647
Balance at 31 December 2015	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

Note:

(a) On 26 May 2016, the Company completed a rights issue of five rights shares of 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.

(b) On 30 November 2012, the Company entered into the Warrant Subscription Agreement with Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (the "Subscribers"), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for 32,800,000 warrants conferring the right to subscribe for up to HK$42,312,000 in aggregate for the shares of the Company at an issue price of HK$0.0125 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK$1.29 per share. The subscription right can be exercised during a period of 36 months from the date of issue of the warrants. During the year ended 31 December 2015, 9,000,000 warrants were exercised and the remaining warrants lapsed on 5 December 2015.

NOTES

1. GENERAL INFORMATION

Focus Media Network Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 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, securities brokerage services, film development, production and distribution, retail of skin care products and provision of early childhood education.

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION

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

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

Changes in accounting policy and disclosures

(a) The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 1 (Amendments)	Disclosure initiative
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 27 (Amendments)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferred accounts
Annual improvements project	Annual improvements 2012–2014 cycle

(b) The following new and amended standards and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Statement of cashflows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

None of the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

HKFRS 9 "Financial instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" — This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The major revenue stream for the Group is provision of services, the performance obligations of this revenue is currently recognised in accordance with the Group's accounting policies. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

HKFRS 16 "Leases"

HKFRS 16 "Leases" — The Group is a lessee of its office buildings which are currently classified as operating leases. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, are set out in Note 12. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheets. Instead, all long-term leases must be recognised in the balance sheets in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments currently disclosed in Note 12. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ended 31 December 2019.

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

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.

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 early childhood education

— Film development, production and distribution

— Securities brokerage business

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 2016 and 2015 is as follows:

	Advertising and media	**Retail of skin care products**	**Provision of early childhood education**	**Film development, production and distribution**	**Securities brokerage business**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
For the year ended 31 December 2016						
Segment revenue	**75,293,554**	**4,448,511**	**866,066**	**—**	**38,617**	**80,646,748**
Segment results	**45,086,959**	**1,594,085**	**848,860**	**—**	**38,617**	**47,568,521**
For the year ended 31 December 2015						
Segment revenue	69,171,714	2,629,776	505,119	—	—	72,306,609
Segment results	40,365,844	768,792	495,536	—	—	41,630,172

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

	2016	2015
	HK$	*HK$*
Segment results	**47,568,521**	41,630,172
Other income/(loss) — net	**1,624,940**	(734,066)
Administrative expenses	**(65,807,238)**	(56,891,090)
Operating loss	**(16,613,777)**	(15,994,984)
Finance costs	**(3,698,644)**	(2,250,526)
Share of losses of joint ventures	**—**	(690,748)
Share of loss of an associate	**(118,354)**	—
Loss before income tax	**(20,430,775)**	(18,936,258)

The total non-current assets by the reportable segments as at 31 December 2016 and 2015 are as follow:

	Advertising and media	**Retail of skin care products**	**Provision of early childhood education**	**Film development, production and distribution**	**Securities brokerage business**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 31 December 2016						
Non-current assets	**17,911,490**	**122,620**	**626,231**	**138,912,831**	**5,118,026**	**162,691,198**
As at 31 December 2015						
Non-current assets	18,738,132	8,826	853,438	138,798,034	—	158,398,430

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	Singapore	United States	Total
	HK$	*HK$*	*HK$*	*HK$*
For the year ended 31 December 2016				
Segment revenue	**45,944,122**	**36,656,689**	**—**	**82,600,811**
Inter-segment revenue	**(605,623)**	**(1,348,440)**	**—**	**(1,954,063)**
Revenue (from external customers)	**45,338,499**	**35,308,249**	**—**	**80,646,748**
Segment results	**25,310,643**	**22,257,878**	**—**	**47,568,521**
For the year ended 31 December 2015				
Segment revenue	48,255,833	24,541,671	—	72,797,504
Inter-segment revenue	(399,392)	(91,503)	—	(490,895)
Revenue (from external customers)	47,856,441	24,450,168	—	72,306,609
Segment results	26,139,054	15,491,118	—	41,630,172

The total non-current assets located in Hong Kong, Singapore and the United States are HK$19,824,478 (2015: HK$13,984,343), HK$3,953,889 (2015: HK$5,616,053) and HK$138,912,831 (2015: HK$138,798,034) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2016 (2015: nil).

4. OTHER INCOME/(LOSS) — NET

	2016	2015
	HK$	*HK$*
Net exchange gains/(losses)	**150,975**	(7,695)
Government grants	**481,707**	638,971
Interest income	**393**	1,425
Sundry income	**333,610**	192,842
Gain on disposal of a joint venture	**—**	1
Gain on disposal of property, plant and equipment	**9,013**	—
Production income	**260,742**	94,763
Recovery of impaired receivables	**—**	244,361
Financial asset at fair value through profit or loss — Fair value gain/(loss)	**388,500**	(1,898,734)
	1,624,940	(734,066)

5. EXPENSES BY NATURE

	2016	2015
	HK$	*HK$*
Revenue sharing with landlords of Office and Commercial Networks *(Note)*	**9,229,901**	7,759,448
Revenue sharing with landlords of In-store Networks *(Note)*	**2,405,555**	2,264,199
Revenue sharing with owners of Online Video Streaming Platforms *(Note)*	**77,259**	1,645,109
Revenue sharing with owners of Residential Networks *(Note)*	**327,878**	248,188
Cost of inventories	**2,672,793**	1,685,924
Sales commission	**5,344,817**	4,979,089
Production and installation	**2,367,954**	3,084,256
Auditor's remuneration	**1,594,144**	2,071,099
Depreciation	**5,581,633**	4,902,545
Amortisation	**419,004**	839,448
Operating lease payments		
— Outdoor billboards	**10,153,014**	8,080,488
— In-store Networks	**499,056**	509,292
— Land and building	**8,255,046**	6,242,637
Employee benefit expenses excluding equity-based compensation	**37,170,403**	28,673,414
Marketing and promotion expenses	**2,382,324**	2,838,595
Travelling expenses	**1,558,420**	1,383,603
Provision for impairment of trade receivables *(Note 10)*	**—**	194,998
Professional fees	**1,205,120**	1,109,680
Impairment of amount due from a joint venture	**—**	488,290
Impairment of investment in a joint venture	**—**	412,206
Other expenses	**7,641,144**	8,155,019
Total cost of sales and administrative expenses	**98,885,465**	87,567,527
Representing:		
Cost of sales	**33,078,227**	30,676,437
Administrative expenses	**65,807,238**	56,891,090
	98,885,465	87,567,527

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

6. FINANCE COSTS

	2016	2015
	HK$	*HK$*
Interest expense		
— Borrowing	**3,698,644**	2,219,178
— Licence fee liabilities	**—**	31,348
	3,698,644	2,250,526

7. INCOME TAX EXPENSES

	2016	2015
	HK$	*HK$*
Current income tax	**—**	—
Deferred income tax	**—**	—
	—	—

No provision for Hong Kong and Singapore profits tax has been made in these consolidated financial statements as the tax losses brought forward from previous years exceed the estimated assessable profits (2015: same). The profits tax rates for Hong Kong and Singapore are 16.5% (2015: 16.5%) and 17% (2015: 17%) respectively.

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

	2016	2015
	HK$	*HK$*
Loss before income tax	**(20,430,775)**	(18,936,258)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(839,088)**	(3,066,771)
Income not subject to tax	**(174,870)**	(180,857)
Expenses not deductible for tax purpose	**775,268**	2,407,508
Tax losses for which no deferred income tax asset was recognised	**1,247,787**	1,416,274
Utilisation of previously unrecognised tax losses	**(1,009,097)**	(576,154)
Income tax expenses	**—**	—

8. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year ended 31 December 2016 of HK$19,460,622 (2015: loss of HK$18,139,328) and on the weighted average number of 161,312,401 (2015: 56,058,286) of ordinary shares in issue during the year after the adjustment of the Rights issue and share consolidation.

The comparative figures for the basic loss per share for the year ended 31 December 2015 are restated to take into account of the effect of the rights issue and share consolidation completed during the year as if they had been taken place since the beginning of the comparative period. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the Rights issue and share consolidation. For the year ended 31 December 2015, the weighted average number of ordinary shares in issue was 358,150,163 before restatement.

	2016	2015 (As restated)
Loss attributable to owners of the Company (HK$)	**(19,460,622)**	(18,139,328)
Weighted average number of ordinary share in issue	**161,312,401**	56,058,286
Basic loss per share	**(HK cents 12.1)**	(HK cents 32.4)

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the year ended 31 December 2016 have no dilutive effect (2015: same).

9. FILM DEPOSITS AND RIGHTS

	Film deposits and rights *HK$*
Year ended 31 December 2015	
Opening net book amount	—
Acquisition of subsidiaries	132,336,077
Additions	4,512,672
Exchange difference on translation	(3,554)
Closing net book amount	136,845,195
At 31 December 2015	
Cost	136,845,195
Accumulated amortisation	—
Net book amount	136,845,195
Year ended 31 December 2016	
Opening net book amount	**136,845,195**
Additions	**2,051,248**
Exchange difference on translation	**16,388**
Closing net book amount	**138,912,831**
At 31 December 2016	
Cost	**138,912,831**
Accumulated amortisation	**—**
Net book amount	**138,912,831**

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$	*HK$*
Trade receivables — third parties	**18,060,613**	19,091,369
Less: provision for impairment of trade receivables	**—**	(194,998)
Trade receivables — net	**18,060,613**	18,896,371
Prepayments, deposits and other receivables	**15,506,276**	22,446,632
	33,566,889	41,343,003
Less non-current portion:		
Rental deposit	**(4,121,740)**	(2,372,403)
Deposit with Hong Kong Exchanges and Clearing Limited	**(500,000)**	—
Prepayment for acquisition of plant and equipment	**—**	(4,026,304)
Current portion	**28,945,149**	34,944,296

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$12,828,284 (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. No provision for impairment of receivables has been provided for the remaining balance (2015: HK$194,998). The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$	*HK$*
Neither past due nor impaired	**5,232,329**	5,072,757
0–30 days past due	**6,644,747**	8,126,101
31–60 days past due	**3,646,572**	1,300,767
Over 61 days past due	**2,536,965**	4,396,746
Past due but not impaired *(Note a)*	**12,828,284**	13,823,614
	18,060,613	18,896,371

Note:

(a) Past due but not impaired comprised of receivables from 71 (2015: 81) customers with 132 (2015: 197) campaign orders.

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

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

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

	2016	2015
	HK$	*HK$*
At 1 January	**194,998**	2,112,988
Provision for impairment *(Note 5)*	**—**	194,998
Receivables written off during the year as uncollectible	**(194,998)**	(1,884,609)
Recovery of impaired receivable during the year	**—**	(244,361)
Exchange difference	**—**	15,982
At 31 December	**—**	194,998

As of 31 December 2016, no trade receivables were impaired and provided for (2015: HK$194,998). The ageing analysis of these impaired receivables is as follows:

	2016	2015
	HK$	*HK$*
Over 61 days past due	**—**	194,998

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

	2016	2015
	HK$	*HK$*
HK$	**21,135,825**	32,400,323
Singapore dollars (“SG$”)	**12,349,931**	8,942,680
US$	**81,133**	—
	33,566,889	41,343,003

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$	*HK$*
Trade payables	**294,665**	462,884
Licence fee payable	**739,745**	739,745
Other payables	**7,980,455**	25,831,926
Accruals	**15,313,889**	10,101,410
	24,328,754	37,135,965

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

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

As at 31 December 2015, the balance of trade and other payables includes an amount due to a shareholder of HK$19,628,280, which is unsecured, interest-free and repayable on demand. The carrying amount approximates its fair value and majority of it is denominated in US$. During the year ended 31 December 2016, the amount due to a shareholder has been fully settled.

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

	2016	2015
	HK$	*HK$*
Current	**294,665**	462,884
Over 60 days past due	**—**	—
	294,665	462,884

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

	2016	2015
	HK$	*HK$*
HK$	**14,812,273**	10,785,615
SG$	**4,575,833**	3,756,790
RMB	**115,837**	1,668,771
US$	**4,824,811**	20,924,789
	24,328,754	37,135,965

12. COMMITMENTS

(a) Operating lease commitments

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

	2016	2015
	HK$	*HK$*
No later than 1 year	**19,141,842**	10,079,402
Later than 1 year and no later than 5 years	**22,619,553**	5,448,518
	41,761,395	15,527,920

(b) Other commitments

At 31 December 2016 and 2015, the Group had commitments contracted but not provided for in these consolidated financial statements as follows:

	2016	2015
	HK$	*HK$*
Development of film rights	**—**	1,356,005

13. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

14. ACQUISITION OF SUBSIDIARIES

On 8 August 2016, the Group entered into a sale and purchase agreement to acquire 100% issued share capital of Glory Creator Limited and its 80%, owned subsidiary, Cornerstone Securities Limited (collectively, "GCL Group") at a total consideration of HK$12,850,000. The transaction was completed on 22 November 2016. GCL Group are principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers.

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

Recognised amounts of identifiable assets acquired and liabilities assumed

	HK$
Plant and equipment	463,817
Deposit with Hong Kong Exchanges and Clearing Limited	500,000
Other receivables and deposit	3,049,959
Cash held on behalf of brokerage clients	12,820,091
Cash and cash equivalents	6,356,075
Trade and other payable	(300,333)
Account payable to brokerage clients	(12,820,091)
Shareholder loan	(12,002,249)
Total identifiable net liabilities	(1,932,731)
Satisfied by:	
Cash consideration paid	12,850,000
Less: shareholder loan	(12,002,249)
Effective consideration	847,751
Effective consideration:	
Total identifiable net liabilities	(1,932,731)
Goodwill	2,780,482
	847,751

15. SUBSEQUENT EVENTS

Save disclosed elsewhere in the consolidated financial statements, there is no significant event that took place after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Focus Media Network Limited (the "Company") and its subsidiaries (the "Group") was principally engaged in (i) provision of out-of-home ("OOH") advertising services, (ii) securities brokerage services, and (iii) film development, production and distribution during the year ended 31 December 2016 ("YUR"). During the YUR, the advertising and media business remained the main contributor to the Group's revenue, accounted for approximately 93.4% of the Group's consolidated revenue.

Advertising and Media Business

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

Number of venues

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

Region	**Network**	**2016**	**2015**
Hong Kong	Office and Commercial Network	**604**	612
Hong Kong	In-store Network (Mannings)	**242**	250
Hong Kong	Residential Network	**221**	197
Singapore	Office and Commercial Network	**519**	520
Total number of venues		**1,586**	1,579

Business model and strategy

As of 31 December 2016, the Group has deployed its branded flat-panel displays at 1,123 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, at 221 residential apartments in Hong Kong under its Residential Complex digital OOH media network, and at 242 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Under its Static OOH Billboard media network, the Group has renewed and 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 also holds 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.

In addition, the Group had secured the exclusive advertising sales rights to a brand new billboard at Fortune Center in Singapore; it is 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 had further secured the exclusive advertising sales rights to a new large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore's financial district.

Lastly, the Group has decided not to renew the partnership with HDB Shopping Centres and Watson In-store Network in Singapore in order to better deploy its resources to pursue new static OOH sites, which the Group will announce progressively in due course.

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.

Securities brokerage

On 8 August 2016, the Company entered into a disclosable transaction for the acquisition of Glory Creator Limited ("GCL") and its 80% owned subsidiary, Cornerstone Securities Limited ("CSL") which is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance. CSL is principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers.

After the completion of the acquisition which took place on 22 November 2016, the Company has started the footprint in the financial services industry. Following with the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it is expected that the securities market in Hong Kong can benefit from these mutual market access schemes, in which more capital will flow into the securities market of Hong Kong, hence the market turnover will increase significantly. Based on the above, it is believed that the Group's securities brokerage business would be benefited from this market trend.

CSL commenced business operations in July 2016 and achieved a promising start in the securities trading business. During these few months of operation, CSL recorded an average monthly securities trading revenue of HK$12.3 million, which generated brokerage revenue and other income of approximately HK$0.3 million (of which approximately HK$38,000 was consolidated into the Group accounts after completion of the acquisition took effect in November 2016). Following its success in 2016, the securities trading business continues its strong business momentum in 2017, in particular, the business recorded significant growth in the number of securities trading accounts, securities trading revenue and increase in brokerage revenue and other income. Shortly after obtaining the approval from the Securities and Futures Commission ("SFC") for providing margin financing business in March 2017, CSL started its margin financing business and up to the date of this announcement, the total margin loan granted by CSL reached HK$14 million and there is still a strong demand for the margin loan from other clients. Provision of margin financing services requires high capital input and as CSL has just commenced its business operation in 2016 and did not have solid business track record, it is not possible to obtain any banking facilities. Accordingly, CSL requires financial support from its shareholders either in form of capital injection or provision of shareholders' loans to ensure CSL have sufficient funds under the Financial Resources Rules to expand its margin financing business. The Company will closely monitor the utilization rate of margin financing of CSL and the needs of clients of CSL and to decide whether any additional capital injection is required to accelerate the business growth of CSL.

Backed up by the experienced CSL management team with sound reputation in the industry, the Directors are optimistic that CSL will continue to widen its customer base through the extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders.

Film development, production and distribution

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

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

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 script development phase with a view to commence formal shooting in the next two to three years, namely Realm (written by Alex Litvak of "The Three Musketeers" and "Predators"), The Annihilator (written by Jim Hecht of "Ice Age: Melt Down" and "Thundercats"), 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.

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.

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

Pursuant to the above arrangement for financial resources, the Company will have to bear all the development costs of the motion picture projects and part of the production costs in the form of production equity. Not more than HK$45 million from the funds raised from the rights issue in May 2016 is intended to be applied to the film projects. As at 31 December 2016, development costs incurred from the film projects amounted to approximately HK$12.8 million, comprising approximately HK$6.5 million, HK$4.2 million and HK$2.1 million attributable to "Realm", "Replicator & Antilight" and "The Annihilator" respectively. The Company will consider various capital raising alternatives, such as equity or debt financing, to meet the funding requirements of the Group for the furtherance of the film projects.

FINANCIAL REVIEW

	2016	2015	2014	2013	2012	2011	2010
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	**80,646,748**	72,306,609	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921
Gross profit	**47,568,521**	41,630,172	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624
EBITDA *(Note 1)*	**(10,031,487)**	(6,656,831)	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000
Net (loss)/profit	**(20,430,775)**	(18,936,258)	(13,192,850)	4,016,035	(27,327,804)	2,036,599	11,747,177

excluding RMI Group and GCL Group	**2016**	2015	2014	2013	2012	2011	2010
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue	**80,608,131**	72,306,609	76,304,823	72,253,333	53,661,805	60,032,678	48,545,921
Gross profit	**47,529,904**	41,630,172	38,763,986	48,545,536	36,511,072	48,596,827	38,783,624
EBITDA *(Note 1)*	**(2,848,991)**	(3,700,804)	(6,405,116)	8,562,397	(21,323,630)	8,342,882	13,746,000
Net (loss)/profit	**(12,738,017)**	(16,006,674)	(13,192,850)	4,016,035	(27,327,804)	2,036,599	11,747,177

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

The Group's revenue for the year ended 31 December 2016 was approximately HK$80.6 million, representing an increase of approximately 12% over the previous year.

The Group's gross profit for the year ended 31 December 2016 was approximately HK$47.6 million, representing an increase of approximately 14% over the previous year. Gross profit margin slightly increased from approximately 58% to 59% due to lower cost-of-sales associated with the better performing media network.

The Group's administrative expenses for the year ended 31 December 2016 was approximately HK$65.8 million, representing an increase of approximately 16% over the previous year. The increase in administrative expenses was mainly due to the office rental and headcount of new business acquired.

For the year ended 31 December 2016, the Group's negative EBITDA, including RMI Group and GCL Group, amounted to approximately HK$10.0 million. Excluding RMI Group and GCL Group, the Group's negative EBITDA amounted to approximately HK$2.8 million as compared to the Group's negative EBITDA amounted to approximately HK$3.7 million for the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK$19.5 million (including RMI Group and GCL Group) and a loss attributable to owners of the Company of approximately HK$12.1 million (excluding RMI Group and GCL Group) for the year ended 31 December 2016 as compared to a loss attributable to owners of the Company of approximately HK$15.2 million for the previous year.

Liquidity and financial resources

During the YUR, the Group financed its daily operations with internally generated resources, short-term loans and net proceeds from the rights issue completed on 26 May 2016 (the "Rights Issue"). As at 31 December 2016, the Group had net current assets of approximately HK$76.8 million (31 December 2015: net current liabilities of HK$29.7 million) and cash and cash equivalents amounted to approximately HK$73.2 million (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 31 December 2016.

To cope with the needs for business operations and development, particularly the securities brokerage business and the film projects, 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.

Gearing ratio

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

Foreign exchange

For the year ended 31 December 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 year ended 31 December 2016, 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. As at 31 December 2016, the Company had 229,418,448 shares of HK$0.10 each in issue.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

Information on employees

As at 31 December 2016, the Group had 96 employees (2015: 84), including the Executive Directors. Total staff costs (including Directors' emoluments) were approximately HK$37.2 million for the year ended 31 December 2016 as compared to approximately HK$28.7 million for the year ended 31 December 2015. 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. 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, joint ventures and an associate, the Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2016.

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

On 22 November 2016, the Company completed the acquisition of the entire issued share capital of GCL, hence 80% shareholding stake of CSL, resulting in GCL and CSL became an indirect wholly-owned subsidiary and an indirect subsidiary of the Company respectively. Please refer the Company's announcement dated 8 August 2016 for details of the above acquisition.

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

Charges of assets

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

Contingent liabilities

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

OTHER INFORMATION

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

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

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry had been made to all Directors who confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2016.

Corporate Governance Practices

For the year ended 31 December 2016, the Company had complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Corporate Governance Code") as contained in Appendix 15 to the GEM Listing Rules except for 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. During the year up to 1 December 2016, the positions of Chairman of the Board and Chief Executive Officer (the "CEO") of the Company were both taken up by Mr. WONG Hong Gay Patrick Jonathan ("Mr. Wong"). Having regard to the recent business expansion of the Group, on 1 December 2016, Mr. Wong resigned as the Chairman of the Board as he would like to devote more time on the management and business operations and development of the Group, but remained as the CEO of the Company. Of even date, Mr. An Xilei was appointed as an executive director of the Company as well as the Chairman of the Board in place of Mr. Wong. Accordingly, the Company has complied with Code Provision A.2.1 since 1 December 2016.

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements of the GEM Listing Rules from time to time. The Audit Committee was delegated the authority and responsibility to review the Company's risk management and internal control systems and to make recommendations to the Board in such regard, in addition to its primary duties to make recommendations to the Board on the appointment and removal of external auditors; to review the financial statements and to provide material advice in respect of financial reporting. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua (chairman of the Audit Committee), Mr. Chan Chi Keung Alan and Ms. Lau Mei Ying.

The financial information set out above in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2016 but represents an extract from those financial statements. The financial information has been reviewed by the Audit Committee. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereof for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. 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 on the preliminary announcement.

Closure of the Register of Members

The Register of Members will be closed from 9 May 2017 (Tuesday) to 12 May 2017 (Friday), both days inclusive, during which period no transfer of shares of the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopwell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8 May 2017 (Monday).

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

Hong Kong, 27 March 2017

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

This announcement 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.