

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2017

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 Growth Enterprise Market 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 2017 was approximately HK\$43.7 million, representing an increase of approximately 19% over the corresponding period of the previous year.
- The Group's gross profit for the six months ended 30 June 2017 was approximately HK\$26.2 million, representing an increase of approximately 13% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 63% to 60%.
- The Group's administrative expenses for the six months ended 30 June 2017 was approximately HK\$37.5 million, representing an increase of approximately 23% over the corresponding period of the previous year.
- The Group's negative EBITDA amounted to approximately HK\$7.5 million for the six months ended 30 June 2017 as compared to the Group's negative EBITDA amounted to approximately HK\$4 million for the corresponding period of the previous year.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$11.4 million for the six months ended 30 June 2017 as compared to a loss attributable to owners of the Company of approximately HK\$10.4 million for the corresponding period of the previous year.
- Loss per share for the six months ended 30 June 2017 was HK cents 4.96 as compared to loss per share of HK cents 11.26 (as restated) for the corresponding period of the previous year.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2017.

UNAUDITED INTERIM RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2017 together with comparative unaudited figures for the corresponding period ended 30 June 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$	HK\$	HK\$	HK\$
Revenue	3	24,196,704	19,761,463	43,709,447	36,616,002
Cost of sales		<u>(9,429,787)</u>	<u>(7,183,626)</u>	<u>(17,499,113)</u>	<u>(13,398,692)</u>
Gross profit		14,766,917	12,577,837	26,210,334	23,217,310
Other income		561,045	13,183	670,279	184,107
Administrative expenses		<u>(20,382,443)</u>	<u>(16,010,785)</u>	<u>(37,520,115)</u>	<u>(30,511,112)</u>
Operating loss		(5,054,481)	(3,419,765)	(10,639,502)	(7,109,695)
Finance costs	4	(819,726)	(1,472,877)	(819,726)	(3,698,630)
Share of loss of associate		<u>(116,733)</u>	<u>—</u>	<u>(116,733)</u>	<u>—</u>
Loss before income tax	5	(5,990,940)	(4,892,642)	(11,575,961)	(10,808,325)
Income tax expenses	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period		(5,990,940)	(4,892,642)	(11,575,961)	(10,808,325)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		<u>466,251</u>	<u>7,514</u>	<u>1,148,037</u>	<u>1,115,681</u>
Total comprehensive loss for the period		<u>(5,524,689)</u>	<u>(4,885,128)</u>	<u>(10,427,924)</u>	<u>(9,692,644)</u>
Loss for the period attributable to:					
Owners of the Company		(5,855,020)	(4,670,273)	(11,372,340)	(10,407,903)
Non-controlling interests		<u>(135,920)</u>	<u>(222,369)</u>	<u>(203,621)</u>	<u>(400,422)</u>
		<u>(5,990,940)</u>	<u>(4,892,642)</u>	<u>(11,575,961)</u>	<u>(10,808,325)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company		(5,388,656)	(4,662,730)	(10,224,247)	(9,292,173)
Non-controlling interests		<u>(136,033)</u>	<u>(222,398)</u>	<u>(203,677)</u>	<u>(400,471)</u>
		<u>(5,524,689)</u>	<u>(4,885,128)</u>	<u>(10,427,924)</u>	<u>(9,692,644)</u>
Loss per share attributable to owners of the Company	8		As restated		As restated
Basic and diluted (HK cents)		<u>(2.55)</u>	<u>(3.73)</u>	<u>(4.96)</u>	<u>(11.26)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,916,927	11,239,747
Intangible assets	9	3,290,547	3,500,050
Film deposits and rights	10	138,956,771	138,912,831
Available-for-sale financial asset		3,000,000	3,000,000
Deposits and prepayments	11	4,766,234	4,621,740
Pledged bank deposits		868,677	285,184
Interest in an associate		<u>1,014,913</u>	<u>1,131,646</u>
Total non-current assets		<u>160,814,069</u>	<u>162,691,198</u>
Current assets			
Inventories		999,164	1,107,786
Trade and other receivables	11	84,112,447	28,945,149
Financial asset at fair value through profit or loss		—	388,500
Amount due from non-controlling interest		11,000,000	—
Cash held on behalf of brokerage clients		4,910,733	20,665,616
Cash and cash equivalents		<u>47,749,393</u>	<u>73,248,475</u>
Total current assets		<u>148,771,737</u>	<u>124,355,526</u>
Total assets		<u>309,585,806</u>	<u>287,046,724</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	14	22,941,845	22,941,845
Share premium	14	440,528,546	440,528,546
Other reserves		(176,491,067)	(177,639,160)
Accumulated losses		<u>(93,161,149)</u>	<u>(81,788,809)</u>
Equity attributable to owners of the Company		193,818,175	204,042,422
Non-controlling interests		<u>46,566,984</u>	<u>35,470,661</u>
Total equity		<u>240,385,159</u>	<u>239,513,083</u>

		30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
	<i>Notes</i>		
LIABILITIES			
Current liabilities			
Trade and other payables	12	15,991,428	24,328,754
Amount payable to brokerage clients		4,610,733	20,678,343
Borrowing and interest payable	13	44,819,726	—
Deferred revenue		<u>3,778,760</u>	<u>2,526,544</u>
Total current liabilities		<u>69,200,647</u>	<u>47,533,641</u>
Total equity and liabilities		<u>309,585,806</u>	<u>287,046,724</u>
Net current assets		<u>79,571,090</u>	<u>76,821,885</u>
Total assets less current liabilities		<u>240,385,159</u>	<u>239,513,083</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$		
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	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)	(10,808,325)
Other comprehensive income/(loss)								
Currency translation differences	—	—	—	1,115,730	—	—	1,115,730	1,115,681
Total comprehensive loss	—	—	—	1,115,730	—	(10,407,903)	(9,292,173)	(9,692,644)
Transactions with owners								
Rights Issue								
— 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)
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	244,775,003
Balance at 31 December 2016 and 1 January 2017 (audited)	22,941,845	440,528,546	(176,467,450)	(3,192,246)	2,020,536	(81,788,809)	204,042,422	239,513,083
Changes in equity for the six months ended 30 June 2017								
Comprehensive loss								
Loss for the period	—	—	—	—	—	(11,372,340)	(11,372,340)	(11,575,961)
Other comprehensive income/(loss)								
Currency translation differences	—	—	—	1,148,093	—	—	1,148,093	1,148,037
Total comprehensive loss	—	—	—	1,148,093	—	(11,372,340)	(10,224,247)	(10,427,924)
Transactions with owners								
Capital contribution from non-controlling interests	—	—	—	—	—	—	11,300,000	11,300,000
Total transactions with owners	—	—	—	—	—	—	11,300,000	11,300,000
Balance at 30 June 2017 (unaudited)	22,941,845	440,528,546	(176,467,450)	(2,044,153)	2,020,536	(93,161,149)	193,818,175	240,385,159

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Cash flows used in operating activities	<u>(69,134,669)</u>	<u>(11,228,918)</u>
Cash flows from investing activities		
Payment for film deposits and rights	(38,793)	(1,097,304)
Purchase of property, plant and equipment and intangible assets	(225,549)	(2,652,068)
Interest received	<u>10,411</u>	<u>190</u>
Net cash used in investing activities	<u>(253,931)</u>	<u>(3,749,182)</u>
Cash flows from financing activities		
Capital contribution from non-controlling interests	300,000	—
Proceeds from borrowings	44,000,000	30,000,000
Repayment of borrowings	—	(80,000,000)
Loan interest paid	—	(5,917,808)
Proceeds from Rights Issue	—	130,003,787
Rights Issue expenses	<u>—</u>	<u>(4,234,095)</u>
Net cash generated from financing activities	<u>44,300,000</u>	<u>69,851,884</u>
Net (decrease)/increase in cash and cash equivalents	(25,088,600)	54,873,784
Cash and cash equivalents at beginning of period	73,248,475	28,220,819
Exchange (losses)/gains on cash and cash equivalents	<u>(410,482)</u>	<u>639,708</u>
Cash and cash equivalents at end of period	<u>47,749,393</u>	<u>83,734,311</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	48,618,070	84,615,244
Less: Pledged bank deposits	<u>(868,677)</u>	<u>(880,933)</u>
Cash and cash equivalents per unaudited condensed consolidated statement of cash flows	<u>47,749,393</u>	<u>83,734,311</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 its subsidiaries are (i) provision of out-of-home advertising services, (ii) retail of skin care products, (iii) provision of early childhood education, (iv) film development, production and distribution, (v) securities brokerage business.

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 2017 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 2016.

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

2.1 Changes in accounting policy and disclosures

- (a) The following new or revised HKFRSs are mandatory for the first time for the financial period beginning 1 January 2017. The adoption of these new or revised HKFRSs have no material effect on the Group’s results and financial position:

HKAS 7 (Amendments)	Statement of cashflows
HKAS 12 (Amendments)	Income taxes

- (b) The following new or revised HKFRSs have been published but are not yet effective for the period ended 30 June 2017 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 40 (Amendments)	Investment Property	1 January 2018
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
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	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. 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 15. 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 15. 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 six months ended 30 June 2017 and 2016 is as follows:

	Advertising and media (Unaudited) HK\$	Retail of skin care products (Unaudited) HK\$	Provision of early childhood education (Unaudited) HK\$	Film development, production and distribution (Unaudited) HK\$	Securities brokerage business (Unaudited) HK\$	Total (Unaudited) HK\$
For the six months ended 30 June 2017						
Segment revenue	37,690,633	3,820,967	1,025,499	—	3,572,654	46,109,753
Inter-segment revenue	(2,400,306)	—	—	—	—	(2,400,306)
Revenue (from external customers)	<u>35,290,327</u>	<u>3,820,967</u>	<u>1,025,499</u>	<u>—</u>	<u>3,572,654</u>	<u>43,709,447</u>
Segment results	<u>19,697,230</u>	<u>1,955,982</u>	<u>984,468</u>	<u>—</u>	<u>3,572,654</u>	<u>26,210,334</u>
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)	<u>34,566,115</u>	<u>1,738,455</u>	<u>311,432</u>	<u>—</u>	<u>—</u>	<u>36,616,002</u>
Segment results	<u>22,271,080</u>	<u>636,228</u>	<u>310,002</u>	<u>—</u>	<u>—</u>	<u>23,217,310</u>

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Segment results	26,210,334	23,217,310
Other income	670,279	184,107
Administrative expenses	<u>(37,520,115)</u>	<u>(30,511,112)</u>
Operating loss	(10,639,502)	(7,109,695)
Finance costs	(819,726)	(3,698,630)
Share of loss of associate	<u>(116,733)</u>	<u>—</u>
Loss before income tax	<u><u>(11,575,961)</u></u>	<u><u>(10,808,325)</u></u>

The total non-current assets by the reportable segments as at 30 June 2017 and 31 December 2016 are as follows:

	Film					
	Advertising and media	Retail of skin care products	Provision of early childhood education	development, production and distribution	Securities brokerage business	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
As at 30 June 2017						
Non-current assets (Unaudited)	<u>16,663,877</u>	<u>147,661</u>	<u>168,993</u>	<u>138,956,771</u>	<u>4,876,767</u>	<u>160,814,069</u>
As at 31 December 2016						
Non-current assets (Audited)	<u>17,911,490</u>	<u>122,620</u>	<u>626,231</u>	<u>138,912,831</u>	<u>5,118,026</u>	<u>162,691,198</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 2017				
Segment revenue	22,859,658	23,250,095	—	46,109,753
Inter-segment revenue	<u>(150,000)</u>	<u>(2,250,306)</u>	<u>—</u>	<u>(2,400,306)</u>
Revenue (from external customers)	<u>22,709,658</u>	<u>20,999,789</u>	<u>—</u>	<u>43,709,447</u>
Segment results	<u>12,978,168</u>	<u>13,232,166</u>	<u>—</u>	<u>26,210,334</u>
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>

As at 30 June 2017, the total non-current assets located in Hong Kong, Singapore and the United States are HK\$16,479,485 (31 December 2016: HK\$19,824,478), HK\$5,377,813 (31 December 2016: HK\$3,953,889) and HK\$138,956,771 (31 December 2016: HK\$138,912,831) respectively.

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>
Interest expense		
— Borrowings	<u>819,726</u>	<u>3,698,630</u>

5. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Revenue sharing with landlords/owners (<i>Note</i>)	5,950,054	4,958,883
Cost of inventories	1,750,616	1,020,876
Sales commission	1,922,699	2,394,770
Auditor's remuneration	70,000	70,000
Depreciation	2,723,382	2,548,429
Amortisation	209,503	209,502
Operating lease payments	11,175,660	8,209,418
Employee benefit expenses	20,964,137	17,184,756
Marketing and promotional expenses	2,943,565	1,538,905
Professional fees	291,579	219,952

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 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 2016: Nil). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2016: 16.5%), 17% (2016: 17%) and 40% (2016: 40%) respectively.

7. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company for the six months ended 30 June 2017 of HK\$11,372,340 (six months ended 30 June 2016: loss of HK\$10,407,903) and on the weighted average number of 229,418,448 (six months ended 30 June 2016: 92,457,936) ordinary shares in issue during the period ended 30 June 2017.

The comparative figures for the basic loss per share for the six months ended 30 June 2016 are restated to take into account of the effect of the Share Consolidation ^{Note} completed last 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 decreased to reflect the Share Consolidation. For the six months ended 30 June 2016, the weighted average number of ordinary shares in issue was 924,579,364 before restatement.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited) (As restated)
Loss attributable to owners of the Company (HK\$)	(11,372,340)	(10,407,903)
Weighted average number of ordinary shares in issue	229,418,448	92,457,936
Basic loss per share	<u>(HK cents 4.96)</u>	<u>(HK cents 11.26)</u>

Note: Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 1 November 2016, the shareholders of the Company have approved the consolidation of every ten shares of HK\$0.01 each into one consolidated share of HK\$0.1 each in the issued and unissued share capital of the Company with effect from 2 November 2016 (“Share Consolidation”).

(b) Diluted

Diluted loss per share is the same as basic loss per share as potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 have no dilutive effect (six months ended 30 June 2016: Same).

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment HK\$	Intangible assets HK\$
As at 31 December 2016 (Audited)		
Opening net book amount at 1 January 2016	10,467,956	1,138,572
Additions	6,481,665	—
Acquisitions of subsidiaries	463,817	2,780,482
Disposals	(549,562)	—
Depreciation and amortisation	(5,581,633)	(419,004)
Exchange difference on translation	(42,496)	—
Closing net book amount at 31 December 2016	<u>11,239,747</u>	<u>3,500,050</u>
As at 30 June 2017 (Unaudited)		
Opening net book amount at 1 January 2017	11,239,747	3,500,050
Additions	225,549	—
Depreciation and amortisation	(2,723,382)	(209,503)
Exchange difference on translation	175,013	—
Closing net book amount at 30 June 2017	<u>8,916,927</u>	<u>3,290,547</u>

10. FILM DEPOSITS AND RIGHTS

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Opening net book amount	138,912,831	136,845,195
Addition	38,793	2,051,248
Exchange difference on translation	5,147	16,388
Closing net book amount	<u>138,956,771</u>	<u>138,912,831</u>
Cost	138,956,771	138,912,831
Accumulated amortisation	—	—
Net book amount	<u>138,956,771</u>	<u>138,912,831</u>

11. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Trade receivables — business other than dealing in securities	15,745,150	18,060,613
Trade receivables — cash clients	111,331	—
Trade receivables — secured margin loans	61,183,804	—
Less: provision for impairment of trade receivables	<u>—</u>	<u>—</u>
Trade receivables — net	77,040,285	18,060,613
Prepayments, deposits and other receivables	<u>11,838,396</u>	<u>15,506,276</u>
	<u>88,878,681</u>	<u>33,566,889</u>
Less non-current portion:		
Rental deposit	(4,266,234)	(4,121,740)
Deposit with Hong Kong Exchanges and Clearing Limited	<u>(500,000)</u>	<u>(500,000)</u>
Current portion	<u>84,112,447</u>	<u>28,945,149</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 2017, trade receivables of HK\$8,957,081 (31 December 2016: HK\$12,828,284) 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 (31 December 2016: Nil). The aging analysis of these trade receivables is as follows:

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Neither past due nor impaired	<u>68,083,204</u>	<u>5,232,329</u>
1–30 days past due	4,651,074	6,644,747
31–60 days past due	2,237,343	3,646,572
Over 61 days past due	<u>2,068,664</u>	<u>2,536,965</u>
Past due but not impaired	<u>8,957,081</u>	<u>12,828,284</u>
	<u>77,040,285</u>	<u>18,060,613</u>

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

The settlement terms of trade receivables from cash client arising from the business of dealing in securities are two days after trade date.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

As at 30 June 2017, the total market value of securities pledged as collateral in respect of the secured loans to margin clients were approximately HK\$398 million (31 December 2016: Nil). 100% (31 December 2016: Nil) of the loans were secured by sufficient collateral on an individual basis. Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall as at the end of the reporting period, and considered that no impairment allowance is necessary. The loans to margin clients bear variable interest at commercial rates and are repayable on demand. No collateral was pledged for other trade receivables.

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

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
At 1 January	—	194,998
Receivables written off during the period/year as uncollectible	<u>—</u>	<u>(194,998)</u>
	<u>—</u>	<u>—</u>

Note: To minimise the Group's exposure to credit risk, there is a credit risk control team responsible for the evaluation of the customers' credit ratings, financial background and repayment abilities. Management had set up the credit limits for each individual customer which are subject to regular review by the management. Any extension of credit beyond these approval limits has to be approved by relevant level of management on an individual basis according to the exceeded amount. The Group has a policy for reviewing impairment of accounts receivable without sufficient collateral and those with default or delinquency in interest or principal payment. The assessment is based on an evaluation of the collectability and ageing analysis of the accounts and on management's judgment including the current creditworthiness, collateral value and the past collection history of each customer. In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date when credit was initially granted up to the reporting date.

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

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
HK\$	77,561,221	21,135,825
Singapore dollars ("SG\$")	11,317,460	12,349,931
United States dollars ("US\$")	<u>—</u>	<u>81,133</u>
	<u>88,878,681</u>	<u>33,566,889</u>

12. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Trade payables	302,919	294,665
Licence fee payable	338,712	739,745
Other payables	2,418,611	7,980,455
Accruals	<u>12,931,186</u>	<u>15,313,889</u>
	<u>15,991,428</u>	<u>24,328,754</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 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Current	302,919	294,665
1–30 days past due	<u>—</u>	<u>—</u>
Over 60 days past due	<u>—</u>	<u>—</u>
	<u>302,919</u>	<u>294,665</u>

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

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
HK\$	6,541,071	14,812,273
SG\$	5,424,440	4,575,833
US\$	4,020,859	4,824,811
RMB	5,058	115,837
	<u>15,991,428</u>	<u>24,328,754</u>

13. BORROWING AND INTEREST PAYABLE

The analysis of the carrying amounts of borrowing and interest payable is as follows:

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
Short-term borrowing	44,000,000	—
Interest payable	819,726	—
	<u>44,819,726</u>	<u>—</u>

For the development of the securities brokerage business, the Group borrowed a short-term loan of HK\$44 million from a financier in April 2017, bearing the annual interest rate of borrowing at 8% and is repayable within one year.

The carrying amounts of borrowing and interest payable approximate their fair values.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share Capital HK\$	Share premium HK\$	Total HK\$
Authorised:				
Ordinary share of HK\$0.1 each				
At 31 December 2016 and 30 June 2017	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>—</u>	<u>100,000,000</u>
Issued and fully paid:				
At 1 January 2016	382,364,080	3,823,641	333,877,058	337,700,699
Issue of shares under Rights Issue (Note 1)	1,911,820,400	19,118,204	106,651,488	125,769,692
Share Consolidation (Note 2)	<u>(2,064,766,032)</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2016 (Audited) and 30 June 2017 (Unaudited)	<u>229,418,448</u>	<u>22,941,845</u>	<u>440,528,546</u>	<u>463,470,391</u>

Note:

- On 26 May 2016, the Company completed a rights issue of five rights shares for every one ordinary share then held by qualifying shareholders at a subscription price of HK\$0.068 per rights share (“Rights Issue”), resulting in the allotment and issue of 1,911,820,400 rights shares. 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.
- Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 1 November 2016, the shareholders of the Company have approved the consolidation of every ten shares of HK\$0.01 each into one consolidated share of HK\$0.1 each in the issued and unissued share capital of the Company with effect from 2 November 2016 (“Share Consolidation”).

15. 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:

	30 June 2017 (Unaudited) HK\$	31 December 2016 (Audited) HK\$
No later than 1 year	18,949,465	12,349,931
Later than 1 year and no later than 5 years	<u>15,536,462</u>	<u>81,133</u>
	<u><u>34,485,927</u></u>	<u><u>33,566,889</u></u>

(b) Other commitments

At 30 June 2017 and 31 December 2016, no commitments contracted is provided for in these consolidated financial statements.

16. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

17. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, no related party transaction is carried out during the period (for the six months ended 30 June 2016: Nil).

18. SUBSEQUENT EVENTS

On 29 June 2017, the Company proposed the Rights Issue to raise net proceeds of not less than approximately HK\$204 million, subject to completion of the Rights Issue. The Rights Issue is conditionally upon, among others, passing of the necessary resolution(s) at the extraordinary general meeting of the Company to be convened on 22 August 2017. Please refer to the Rights Issue Announcements and the Company's circular dated 3 August 2017 for details of the Rights Issue.

19. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 8 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Advertising and Media Business

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 2017, the Group has deployed its flat-panel displays at 1,588 venues in Hong Kong and Singapore.

During the six months ended 30 June 2017, the number of venues in which the Group deployed its flat-panel over the corresponding period of the previous year is shown as follows:

Region	Network	Six months ended 30 June 2017	Six months ended 30 June 2016
Hong Kong	Office and Commercial Network	601	617
Hong Kong	In-store Network (Mannings)	235	247
Hong Kong	Residential Network	240	218
Singapore	Office and Commercial Network	<u>512</u>	<u>525</u>
Total number of venues		<u><u>1,588</u></u>	<u><u>1,607</u></u>

For the six months ended 30 June 2017, the Group has deployed its branded flat-panel displays at 1,113 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network and at 235 Mannings retail chain-stores in Hong Kong 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 2017, the Group has deployed its branded flat-panel displays at 240 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its OOH Billboard media network in Hong Kong, 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 also holds the exclusive advertising sales rights to a billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This 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.

Under its OOH Billboard media network in Singapore, the Group recently secured the exclusive advertising sales rights to a brand new billboard at AZ @ Paya Lebar building; centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore, it faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500meters away. This billboard also targets foot-traffic flowing in and out of Mcpherson MRT station, which is directly opposite of AZ @ Paya Lebar building.

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.

As well, the Group holds the exclusive advertising sales rights to a 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 also holds the exclusive advertising sales rights to a 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. Furthermore, the Group holds the exclusive advertising sales rights to a billboard on the façade of Furama City Centre Hotel in Singapore. This site is located in the heart of vibrant Chinatown, with a rich culture and long-standing history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

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 Business

In August 2016, the Company acquired Glory Creator Limited (“GCL”) and its 80% owned subsidiary, Cornerstone Securities Limited (“CSL”), collectively “GCL Group”, CSL 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 in November 2016, the Company has started its footprint in the financial services industry. Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it is expected that the securities market in Hong Kong would be benefited from these mutual market access schemes, in which more capital would flow into the securities market of Hong Kong and would have a positive impact to the stock market turnover in the long run. Based on the above, it is believed that the Group’s securities brokerage business would be benefited from this market trend.

Following its start in 2016, the securities trading business continues its strong business momentum in 2017. Upon receipt of the approval from the Securities and Futures Commission (“SFC”) regarding the margin financing business in March 2017, our margin financing has been kick-started and the margin demand from our clients is very strong. In order to top up the margin lending capacity, shareholders of CSL increased the paid-up capital of CSL by way of capital injection in April 2017. As a result, CSL’s lending capabilities increased to approximately HK\$61 million versus its paid-up share capital of approximately HK\$89 million. As at 30 June 2017, the new capital has been almost fully utilised for providing margin financing to clients, and a stable interest income stream was derived therefrom. The total revenue from the securities brokerage business amounted to approximately HK\$3.6 million for the period under review. At the period end date, CSL’s total number of trading accounts increased by over 50% as compared to that of December 2016, of which approximately 20% are margin financing client accounts. Given the rapid growth in the number of new clients, the Company anticipates that the margin financing business would continue to grow in the near future. As the utilisation rate of the margin financing business has almost reached the ceiling of the requirements under the Securities and Futures (Financial Resources) Rules (the “Financial Resources Rules”) on liquid capital of licensed corporations, the Company has explored alternatives to increase the capital base of CSL in order to meet with the up-surging demand for margin financing credit from its existing and/or potential clients, including high net-worth clients. Taking into account of the growing number of margin financing clients and the contribution from margin financing income is the core component for a securities company, it is believed that if more capital is injected, more interest income and brokerage commission will be generated. Hence, the Company proposed a rights issue (“Rights Issue”) on the basis of four rights shares for every one existing share at the subscription price of HK\$0.23 per rights share to raise net proceeds of not less than approximately HK\$204 million, out of which not more than approximately HK\$138 million will be applied for further capital injection to CSL to accelerate the business growth of

CSL and expansion of the securities brokerage business. For details of the Rights Issue, please refer to the Company's announcement dated 29 June 2017, 4 July 2017, 6 July 2017, 27 July 2017, 1 August 2017 (collectively the "Rights Issue Announcements") and the circular date 3 August 2017.

Backed up by the experienced CSL management team and its 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 Business

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-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 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 leading studios to produce the films, and the Company will only participate as one of the production equity investors of the production cost.

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. The Company would require large-scale funding to finance the shortfall in production costs once and when the films are ready for production. It will consider various capital raising alternatives, such as equity or debt financing, to meet the funding requirements for the development and production of the film projects.

Financial Review

	Six months ended 30 June		
	2017	2016	
	HK\$	HK\$	% Change
	(unaudited)	(unaudited)	
Revenue	43,709,447	36,616,002	19%
Gross profit	26,210,334	23,217,310	13%
EBITDA (<i>Note 1</i>)	(7,502,996)	(3,951,342)	N/A
Net loss	<u>(11,575,961)</u>	<u>(10,808,325)</u>	<u>N/A</u>

Note 1: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profit/(loss) of associate, 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, 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 2017, the Group experienced growth in both revenue and gross profit over the corresponding period of the previous year. The Group's revenue for the six months ended 30 June 2017 was approximately HK\$43.7 million, representing an increase of approximately 19% over the corresponding period of the previous year.

The Group's gross profit for the six months ended 30 June 2017 was approximately HK\$26.2 million, representing an increase of approximately 13% over the corresponding period of the previous year. The Group's gross profit margin decreased approximately from 63% to 60% due to higher cost-of-sales associated with certain static out-of-home billboards under Advertising and Media Business.

The Group's administrative expenses for the six months ended 30 June 2017 was approximately HK\$37.5 million, representing an increase of approximately 23% over the corresponding period of the previous year. The increase in administrative expenses was mainly due to the office rental and headcount of new business acquired.

The Group's negative EBITDA amounted to approximately HK\$7.5 million for the six months ended 30 June 2017 as compared to the Group's negative EBITDA amounted to approximately HK\$4 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$11.4 million for the six months ended 30 June 2017 as compared to a loss attributable to owners of the Company of approximately HK\$10.4 million for the corresponding period of the previous year.

Liquidity and financial resources

During the period under review, the Group financed its daily operations with internally generated resources, net proceeds from the rights issue completed in 2016 (the "Previous Rights Issue") and loan borrowing. As at 30 June 2017, the Group had net current assets of approximately HK\$79.6 million (31 December 2016: HK\$76.8 million) and cash and cash equivalents amounted to approximately HK\$47.7 million as at 30 June 2017 (31 December 2016: HK\$73.2 million). The Group had a loan borrowing amounted to HK\$44 million as at 30 June 2017 (31 December 2016: Nil).

On 29 June 2017, the Company proposed the Rights Issue to raise net proceeds of not less than approximately HK\$204 million and the net proceeds are intended to be used as to (i) not more than approximately HK\$138 million for capital injection to the securities brokerage business; (ii) approximately HK\$44 million for the repayment of loan borrowing of the Group; and (iii) the remaining for general working capital of the Group. Please refer to the Company's Rights Issue Announcements and the circular dated 3 August 2017 for details of the Rights Issue. 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 requirements and continue to 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 the percentage of the Group's total borrowings over shareholders' fund, was 19% as at 30 June 2017 (31 December 2016: Nil).

Foreign exchange

For the six months ended 30 June 2017, 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. As at 30 June 2017, the Company had 229,418,448 shares of HK\$0.10 each in issue. Please refer to Note 14 of the notes to the unaudited condensed consolidated interim financial information 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 2017 (six months ended 30 June 2016: Nil).

Information on employees

As at 30 June 2017, the Group had 104 employees (30 June 2016: 93), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the six months ended 30 June 2017 were approximately HK\$21 million (six months ended 30 June 2016: HK\$17.2 million). 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 2017, no bonuses were paid to any directors or employees. Other staff benefits included 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 an associate, the Group did not hold any significant investment in equity interest in any company during the six months ended 30 June 2017.

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

Save as disclosed herein, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets during the period under review. In June 2017, the Company proposed the Rights Issue to raise net proceeds of not less than approximately HK\$204 million and not more than approximately HK\$138 million of the net proceeds would be used as capital injection to develop the margin financing business of CSL.

Charges on assets

As at 30 June 2017, the Group did not have any charges on its assets (31 December 2016: Nil).

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

OTHER INFORMATION

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

During the six months ended 30 June 2017, 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 2017, 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 2017.

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 2017, 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:

Under Code Provision E.1.2, the chairman of the Board (the “Chairman”) should attend the Company’s annual general meeting. Mr. An Xilei, the Chairman, was unable to attend the Company’s annual general meeting held on 12 May 2017 (the “AGM”) owing to business reasons. Mr. Chan Chi Keung Alan, an independent non-executive director of the Company, was authorised by the Chairman to present to chair the meeting.

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 2017 have not been audited 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
An Xilei
Chairman

Hong Kong, 8 August 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.