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CHINA OUTDOOR MEDIA GROUP LIMITED

中國戶外媒體集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00254)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Turnover of the Group for the six months ended 31 December 2009 was approximately HK\$8,900,000 as compared to approximately HK\$25,200,000 for the corresponding period of previous year.
- Profit attributable to owners of the Company for the six months ended 31 December 2009 was approximately HK\$8,100,000 as compared to approximately HK\$1,000,000 for the corresponding period of previous year.

RESULTS

The Board of Directors of China Outdoor Media Group Limited (the “Company”) hereby presents the unaudited condensed consolidated interim financial report of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2009 (the “Current Period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2009

	Note	Six months ended 31 December 2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited) (restated)
Continuing operations			
Turnover	5	7,526	17,866
Direct costs		(4,048)	(7,407)
Gross profit		3,478	10,459
Other income		6,159	1,598
Administrative and other operating expenses		(9,274)	(8,117)
Profit from operations		363	3,940
Finance costs	6	(393)	(8)
Share of losses of associates		(644)	–
(Loss)/profit before tax		(674)	3,932
Income tax expense	7	(492)	(2,272)
(Loss)/profit for the period from continuing operations		(1,166)	1,660
Discontinued operations			
Profit/(loss) for the period from discontinued operations	17	8,238	(1,462)
Profit for the period	8	7,072	198
Attributable to:			
Owners of the Company		8,131	978
Non-controlling interests		(1,059)	(780)
		7,072	198
		HK cent	HK cent
Earnings/(loss) per share			
From continuing and discontinued operations			
– Basic	10(a)	0.72	0.09
– Diluted	10	N/A	N/A
From continuing operations			
– Basic	10(b)	(0.08)	0.19
– Diluted	10	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	7,072	198
Other comprehensive income for the period, net of tax:		
Exchange differences on translating foreign operations	<u>54</u>	<u>(392)</u>
Total comprehensive income for the period	<u>7,126</u>	<u>(194)</u>
Attributable to:		
Owners of the Company	8,185	586
Non-controlling interests	<u>(1,059)</u>	<u>(780)</u>
	<u>7,126</u>	<u>(194)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	304	1,556
Club membership		150	–
Goodwill		5,245	5,245
		<u>5,699</u>	<u>6,801</u>
Current assets			
Trade and other receivables	12	89,909	99,909
Bank and cash balances		2,833	4,547
		<u>92,742</u>	<u>104,456</u>
Current liabilities			
Trade and other payables	13	7,189	32,037
Borrowings	14	1,704	4,413
Current tax liabilities		2,687	2,273
		<u>11,580</u>	<u>38,723</u>
Net current assets		<u>81,162</u>	<u>65,733</u>
Total assets less current liabilities		86,861	72,534
Non-current liabilities			
Borrowings	14	–	9,000
Obligations in excess of interests in associates	15	3,246	–
		<u>3,246</u>	<u>9,000</u>
NET ASSETS		<u>83,615</u>	<u>63,534</u>
Capital and reserves			
Share capital	16	11,493	10,993
Reserves		73,245	55,560
Equity attributable to owners of the Company		84,738	66,553
Non-controlling interests		<u>(1,123)</u>	<u>(3,019)</u>
TOTAL EQUITY		<u>83,615</u>	<u>63,534</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office and principal place of business is Unit 1803, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries during the Current Period were the provision of outdoor media advertising and media related services.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2009 except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the Current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2009. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the Current Period and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. These presentation requirements have been applied retrospectively in these condensed consolidated financial statements.

(b) Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

- Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.
- Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.
- When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

(c) Operating Segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving as the starting point for the identification of such segments. HKFRS 8 results in a redesignation of the Group’s reportable segments, but has had no impact on the reported results or financial position of the Group. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 4 to the condensed consolidated financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Media and advertising – PRC	–	Provision of media and advertising services in the People’s Republic of China (the “PRC”)
Television advertising – Hong Kong	–	Provision of television advertising services in Hong Kong (discontinued operation)
Media related	–	Provision of media related services
Property investment	–	Investments in properties for leasing and trading (discontinued operation)

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include other income, finance costs, income tax expense and corporate administrative expenses. Segment assets do not include club membership, goodwill, prepayments, deposits and other receivables for general administrative use and bank and cash balances.

	Media and advertising – PRC HK\$'000 (unaudited)	Media related HK\$'000 (unaudited)	Total continuing operations HK\$'000 (unaudited)	Television advertising – Hong Kong HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Total discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 31 December 2009:							
Revenue from external customers	7,526	–	7,526	1,403	–	1,403	8,929
Segment profit/(loss)	2,539	–	2,539	(1,186)	–	(1,186)	1,353
As at 31 December 2009:							
Segment assets	<u>39,503</u>	<u>–</u>	<u>39,503</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>39,503</u>
Six months ended 31 December 2008:							
Revenue from external customers	12,213	5,653	17,866	310	6,993	7,303	25,169
Segment profit/(loss)	4,394	5,087	9,481	(740)	(2,755)	(3,495)	5,986
As at 30 June 2009:							
Segment assets	<u>56,338</u>	<u>–</u>	<u>56,338</u>	<u>1,482</u>	<u>–</u>	<u>1,482</u>	<u>57,820</u>

Six months ended
31 December
2009 2008
HK\$'000 HK\$'000
(unaudited) (unaudited)

Reconciliation of segment profit or loss:

Total profit or loss of reportable segments	1,353	5,986
Other profit or loss	(3,702)	(5,788)
Gain on disposal of discontinued operation	9,421	–
Consolidated profit for the period	7,072	198

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Reconciliation of segment assets:		
Total assets of reportable segments	39,503	57,820
Other assets	58,938	53,437
Consolidated total assets	98,441	111,257

5. TURNOVER

	Six months ended 31 December 2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Sales of properties	–	6,993
Outdoor media advertising and media related service income	8,929	18,176
	8,929	25,169
Representing:		
Continuing operations	7,526	17,866
Discontinued operations (note 17)	1,403	7,303
	8,929	25,169

6. FINANCE COSTS

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on other loans and advances	384	–
Interest and charges on bank loans and advances	10	14
	<u>394</u>	<u>14</u>
Representing:		
Continuing operations	393	8
Discontinued operations (note 17)	1	6
	<u>394</u>	<u>14</u>

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax and land appreciation tax	492	3,292
Deferred tax	–	(678)
	<u>492</u>	<u>2,614</u>
Representing:		
Continuing operations	492	2,272
Discontinued operations (note 17)	–	342
	<u>492</u>	<u>2,614</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the Current Period (2008: Nil).

PRC enterprise income tax is calculated at a statutory rate of 25% of the taxable income from operations of the Company's subsidiaries carried on in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC during the Current Period.

PRC land appreciation tax is levied, in accordance with the land appreciation tax law of the PRC, on the properties held by the Group for sale in the PRC and is charged at progressive rates ranging from 30% to 60% on the appreciated amount.

8. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 31 December				Total	
	Continuing operations		Discontinued operations			
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	(1,151)	(13)	–	–	(1,151)	(13)
Depreciation	83	78	99	57	182	135
Directors' remuneration	329	908	–	–	329	908
Loss on disposal of property, plant and equipment	–	1	–	–	–	1
Operating lease charges in respect of land and buildings	<u>1,193</u>	<u>1,026</u>	<u>75</u>	<u>146</u>	<u>1,268</u>	<u>1,172</u>

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Current Period (2008: Nil).

10. EARNINGS/(LOSS) PER SHARE

(a) From continuing and discontinued operations

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$8,131,000 (2008: HK\$978,000) and the weighted average number of ordinary shares of 1,127,654,565 (2008: 1,075,915,435) in issue during the Current Period.

(b) From continuing operations

The calculation of basic loss (2008: earnings) per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$882,000 (2008: profit of HK\$2,036,000) and the denominator used is the same as that detailed above for basic earnings per share for continuing and discontinued operations.

(c) From discontinued operations

Basic earnings (2008: loss) per share from the discontinued operations for the period is HK0.80 cent (2008: HK0.10 cent), based on the profit for the period from discontinued operations attributable to owners of the Company of approximately HK\$9,013,000 (2008: loss of HK\$1,058,000) and the denominator used is the same as that detailed above for basic earnings per share from continuing and discontinued operations.

The effects of all potential ordinary shares are anti-dilutive during the Current Period. There were no potential ordinary shares in issue during the six months ended 31 December 2008. No diluted earnings/(loss) per share were disclosed.

11. PROPERTY, PLANT AND EQUIPMENT

During the Current Period, the Group acquired property, plant and equipment of approximately HK\$141,000.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Trade receivables	352	8,037
Prepayments, deposits and other receivables (note (a))	83,670	91,872
Loan to an associate (note (b))	5,887	–
	89,909	99,909

Notes:

- (a) Included consideration receivable for the disposal of First Union Limited ("First Union") of approximately HK\$30,000,000 due from an independent third party. The amount is unsecured, interest-free and repayable on 31 March 2010.
- (b) The loan to an associate is unsecured, arranged at fixed rate of 15% per annum and has no fixed terms of repayment.

The Group's trading terms with customers are mainly on credit. The credit terms generally are 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Current to 30 days	239	7,890
31 – 60 days	113	–
61 – 90 days	–	113
Over 90 days	–	34
	352	8,037

13. TRADE AND OTHER PAYABLES

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Trade payables	491	16,330
Other payables	6,698	15,707
	7,189	32,037

The Group normally obtains credit terms ranging from 30 to 60 days from its suppliers.

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

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Current to 30 days	349	3,787
31 – 60 days	142	12,543
	491	16,330

14. BORROWINGS

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Loan from a related company	–	9,000
Other loans	1,704	4,413
	1,704	13,413

The borrowings are repayable as follows:

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
On demand or within one year	1,704	4,413
In the second year	–	9,000
	1,704	13,413
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,704)	(4,413)
Amount due for settlement after 12 months	–	9,000

Loan from a related company is arranged at fixed interest rate and other borrowings are arranged at floating rates.

15. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Share of net liabilities	<u>3,246</u>	<u>–</u>

The Group has contractual obligations to share the net liabilities of the associates.

16. SHARE CAPITAL

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Authorised: 20,000,000,000 (30 June 2009: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 1,149,285,000 (30 June 2009: 1,099,285,000) ordinary shares of HK\$0.01 each	<u>11,493</u>	<u>10,993</u>

A summary of the movements in the issued share capital of the Company is as follows:

	Note	Number of shares '000	Par value HK\$'000
At 1 July 2009		1,099,285	10,993
Exercise of warrants	(a)	<u>50,000</u>	<u>500</u>
At 31 December 2009		<u>1,149,285</u>	<u>11,493</u>

Note:

- (a) During the Current Period, the subscription rights attaching to 50,000,000 warrants were exercised at the subscription price of HK\$0.20 per share, resulting in the issue of 50,000,000 ordinary shares of HK\$0.01 each for a total cash consideration of approximately HK\$10,000,000.

17. DISCONTINUED OPERATIONS

(a) Property investment segment

Pursuant to an agreement dated 26 November 2008 entered into between Welchem Development Limited (“Welchem”), a subsidiary of the Company, and an independent third party, Welchem disposed of 100% interests in a wholly-owned subsidiary, First Union.

First Union held 100% interest in a sino-foreign equity joint venture, 北京光訊投資管理顧問有限公司 (“北京光訊”), established in the PRC. 北京光訊 was engaged in the property investment during the six months ended 31 December 2008. The disposal was completed on 3 April 2009 and the Group discontinued its property investment operation.

(b) Television advertising – Hong Kong segment

Pursuant to an agreement dated 27 August 2009 entered into between a subsidiary of the Company, China New Media Company Limited (“China New Media”) and a wholly-owned subsidiary of a related company, China New Media disposed of 4% interests in a subsidiary, iKanTV Limited (“iKanTV”) at a consideration of approximately HK\$9,200,000. The Group recorded a gain of approximately HK\$9,421,000.

iKanTV held 51% interest in HD Production Limited (“HD Production”), established in Hong Kong. iKanTV and HD Production were engaged in the provision of television advertising services in Hong Kong during the period. The disposal was completed on 30 September 2009 and the Group discontinued its operation of provision of television advertising services in Hong Kong.

Net liabilities at the date of disposal were as follows:

	HK\$'000
Property, plant and equipment	1,211
Trade and other receivables	623
Bank and cash balances	1,016
Trade and other payables	(1,529)
Due to a fellow subsidiary	<u>(7,099)</u>
Net liabilities at date of disposal	(5,778)
Non-controlling interests	2,955
Share of net liabilities transferred to obligations in excess of interests in associates	<u>2,602</u>
Net liabilities disposed of	(221)
Gain on disposal of subsidiaries	<u>9,421</u>
Total consideration	<u>9,200</u>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	<u>(1,016)</u>

The consideration was set off against the loan from a related company of approximately HK\$9,000,000 and interest payable of approximately HK\$200,000 included in other payables. iKanTV and HD Production became associates of the Company thereafter.

The profit/(loss) for the period from the discontinued operations is analysed as follows:

	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss of discontinued operations	(1,183)	(1,462)
Gain on disposal of discontinued operation	<u>9,421</u>	<u>—</u>
	<u>8,238</u>	<u>(1,462)</u>

The results of the discontinued operations for the period from 1 July 2009 to 30 September 2009, which have been included in condensed consolidated income statement, are as follows:

	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover	1,403	7,303
Direct costs	(822)	(5,669)
Gross profit	581	1,634
Other income	3	2,383
Fair value loss on investment property	–	(2,713)
Administrative and other operating expenses	(1,766)	(2,418)
Loss from operations	(1,182)	(1,114)
Finance costs	(1)	(6)
Loss before tax	(1,183)	(1,120)
Income tax expense	–	(342)
Loss for the period	(1,183)	(1,462)

During the Current Period, the disposed subsidiaries paid approximately HK\$1,397,000 (2008: received HK\$1,446,000) in respect of operating activities and paid approximately HK\$135,000 (2008: HK\$1,566,000) in respect of investing activities.

No tax charge or credit arose on gain on disposal of the discontinued operation.

18. CONTINGENT LIABILITIES

Financial guarantees issued

At the end of the reporting period, the Group had contingent liabilities as follows:

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Possible claims arising from:		
Guarantee related to a former related company (note (a))	5,000	5,000
Indemnity related to a former subsidiary (note 19(b))	6,919	6,906
	<u>11,919</u>	<u>11,906</u>

Note:

- (a) The Company issued a corporate guarantee to secure a leasing facility granted by a leasing company to a former related company.

19. PENDING LITIGATIONS

At the end of the reporting period, the Group had the following pending litigations:

- (a) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings of approximately HK\$1.6 million together with the interest thereon. As the Company had never borrowed money from that individual third party, the Directors were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group to clarify that the individual third party acted as an agent of the lender. The Directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the lender together with interest and penalty totalling approximately HK\$2,672,000 has been accrued in the financial statements and has not yet been settled as at 31 December 2009.

The Court has granted an order to adjourn sine die the plaintiffs' application to set down this case on 15 March 2006. That is to say, the lender and its agent have temporarily withheld the proceedings against the Company. This claim has not been settled up to the date of approval of these financial statements.

- (b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately an amount of RMB6.1 million related to transactions on or before the completion date. The existing management of World Giant had indicated to the Directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts were covered by the amount accrued in the financial statements of World Giant at the time of disposal. Accordingly, in the opinion of the Directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK\$6.9 million (30 June 2009: HK\$6.9 million), has been shown as contingent liabilities in note 18.

The Writ of Summons was served on the Company in February 2005. The Company has not received further claims from the plaintiff up to the date of approval of these financial statements.

- (c) A Notice of Intention to Proceed after a Year's Delay dated 22 October 2007 was received by the Company in respect of a Writ of Summons previously served on the Company in August 2004 by an independent consultancy company for repayment of outstanding consultancy fees in the amount of approximately HK\$2.2 million together with interest thereon. As that consultancy company had never been formally appointed as a consultant of the Company, the Directors are of the opinion that the Company has no obligations to pay the aforesaid amount to that consultancy company. In fact, an independent third party controlling that consultancy company had provided certain consultancy services to the Company during the relevant period. The Directors had negotiated with that independent third party who agreed to take up the responsibility of settlement of the aforesaid amount owing to that consultancy company and the related legal costs.

On 6 July 2009, the Company entered into a consent order with the independent consultancy company for the settlement of the outstanding consultancy fees of approximately HK\$5,800,000 and the amount was fully settled during the Current Period.

Accordingly, in the opinion of the Company's lawyer, the litigation was concluded upon the compliance with the terms set out in the consent order. However, on 3 February 2010, the Company received a notice that the independent consultancy company claimed for legal costs in the amount of approximately HK\$1.2 million. The Company is contesting with the independent consultancy company and this claim has not been settled up to the date of approval of the financial statements for the Current Period.

20. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	As at 31 December 2009 HK\$'000 (unaudited)	As at 30 June 2009 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of a subsidiary (note 22)	1,241,890	—
Contingent consideration for the acquisition of a subsidiary (note (a))	<u>—</u>	<u>200,000</u>

Note:

- (a) The condition for the contingent consideration for the acquisition of L&L Partners' Limited on 25 September 2008 could not be met. Therefore, the contingent consideration was no longer payable as at 31 December 2009.

21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income received from an associate	253	–
Interest expense paid to a related company	340	–
Proceeds from disposal of a subsidiary from a related company	9,200	–
Referral fee income received from a related company	–	500

A Director, Mr. Lau Chi Yuen, Joseph, has significant influence over the related company and is a director of the related company.

22. EVENTS AFTER THE REPORTING PERIOD

On 4 December 2009, the Group entered into an agreement to acquire the entire issued share capital of GMG Media Group Limited (“GMG”) at a consideration of HK\$1,241,890,000, satisfied by (i) the allotment and issuance of 100,000,000 new shares of the Company, credited as fully paid, in the sum of HK\$13,000,000; and (ii) the issuance of convertible bonds, carrying no interest for a term 5 years at a conversion price of HK\$0.13 for each new share of the Company, in the principal amount of HK\$1,228,890,000. GMG was principally engaged in investment holding, with its subsidiaries engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC. As the acquisition is not yet completed, it is impracticable at this moment to disclose further information about the acquisition.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of HKFRS 5.

MANAGEMENT DISCUSSION AND ANALYSIS

Disposal and Discontinued Operation

On 27 August 2009, China New Media Company Limited (“China New Media”), a wholly-owned subsidiary of the Company, entered into an agreement with a wholly-owned subsidiary of a related company, China Post E-Commerce (Holdings) Limited (“CPEC”), to dispose of 4% equity interests of iKanTV Limited (“iKanTV”), a 51% owned subsidiary of China New Media, at a total consideration of HK\$9.2 million, satisfied by setting off the outstanding loan and interest payable due to CPEC. The disposal was approved by the shareholders at an extraordinary general meeting held on 27 August 2009 and the transaction was completed on 30 September 2009. Details of the disposal are set out in announcements issued by the Company on 27 August 2009 and 30 September 2009.

Connected Transactions

The Group has entered into the following connected transactions during the Current Period and up to the date of this report:

(a) Loan Interest Expenses

During the Current Period, China New Media has paid interest expenses of approximately HK\$0.3 million to CPEC.

(b) Loan Interest Income

During the Current Period, China New Media has received interest income of approximately HK\$0.3 million from an associate, iKanTV, which is also a subsidiary of CPEC.

(c) Loan to an Associate

As at 31 December 2009, the Group had a loan amount of approximately HK\$5.9 million due from an associate, iKanTV, which is also a subsidiary of CPEC.

(d) Disposal of Subsidiaries

Save as disclosed in the above, the Group has disposed of 4% equity interests of iKanTV, the then 51% owned subsidiary of the Company, to a wholly-owned subsidiary of CPEC, at a total consideration of HK\$9.2 million, satisfied by setting off the outstanding loan and interest payable due to CPEC.

Mr. Lau Chi Yuen, Joseph is a connected person of the Company by virtue of his beneficial interest in CPEC. Accordingly, the payment and receipt of interest and disposal transaction constituted connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Except for the aforesaid, during the Current Period and up to the date of this report, no other connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

Business and Financial Review

For the Current Period, profit attributable to owners of the Company was approximately HK\$8.1 million (Six months ended 31 December 2008: HK\$1.0 million). The improvement was mainly attributable to many factors. (1) There was a gain on disposal of subsidiaries of approximately HK\$9.4 million (Six months ended 31 December 2008: HK\$Nil). (2) There were an impairment loss written back and interest compensation income of approximately HK\$4.9 million (Six months ended 31 December 2008: HK\$Nil) and HK\$0.8 million (Six months ended 31 December 2008: HK\$Nil) respectively recovered from a debtor.

The Board of Directors does not recommend the payment of any dividend for the Current Period (Six months ended 31 December 2008: Nil).

For the Current Period, the Group's total turnover amounted to approximately HK\$8.9 million (six month ended 31 December 2008: HK\$25.2 million), representing a decrease of 64.7% compared with the corresponding period of last year. Details of the decrease in turnover are discussed in below:

Media and advertising – PRC segment

The turnover derived from the operating segment of media and advertising – PRC was approximately HK\$7.5 million (Six months ended 31 December 2008: HK\$12.2 million) which represented a decrease of 38.5% comparing to the corresponding period of last year. The decrease in the turnover of this operating segment is mainly due to the impact of global financial Tsunami which adversely affected the business of the segment. Under the downturn economy, competitors offered significant discounts to customers that led to keen competition among media and advertising businesses. In addition, the Shanghai authorities imposed tighter control over the media and advertising market, including requesting the dismantling of most advertising formats for the 2010 World Expo, as a result, the Group had worked closely to conform to the new policies and certain business contracts could not be engaged for the conformation.

Media related segment

The Group did not have turnover from the operating segment of media related during the Current Period (Six months ended 31 December 2008: HK\$5.7 million).

Television advertising – Hong Kong segment (discontinued operation)

The turnover derived from the operating segment of television advertising – Hong Kong was approximately HK\$1.4 million (Six months ended 31 December 2008: HK\$0.3 million) which represented an increase of 366.7% comparing to the corresponding period of last year. This operating segment was discontinued on 30 September 2009.

Property Investment segment (discontinued operation)

The Group did not have turnover from the operating segment of property investment during the Current Period due to its operation was discontinued in April 2009 (Six months ended 31 December 2008: turnover from property investment segment of approximately HK\$7.0 million).

Liquidity and Financial Resources

As at 31 December 2009, the Group has net current assets of approximately HK\$81.2 million (30 June 2009: HK\$65.7 million) and equity attributable to owners of the Company of approximately HK\$84.7 million (30 June 2009: HK\$66.6 million). The increase in equity attributable to owners of the Company as compared with 30 June 2009 was mainly attributable to 50.0 million warrants were exercised at the subscription price of HK\$0.2 per share, resulting in the issue of 50.0 million ordinary shares of HK\$0.01 each for a total consideration of approximately HK\$10.0 million. All the subscribed ordinary shares were issued and fully paid. In addition, there was a gain on disposal of subsidiaries of approximately HK\$9.4 million recognised in the Current Period.

As at 31 December 2009, the Group had short term borrowings of approximately HK\$1.7 million (30 June 2009: HK\$4.4 million) and there was no long term borrowings (30 June 2009: HK\$9.0 million). The short term borrowings bear interest at prevailing market rates. The gearing ratio of the Group as at 31 December 2009, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 1.7% (30 June 2009: 12.1%).

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Capital Structure

On 10 August 2009, 21 August 2009, 14 September 2009 and 29 December 2009, a total of 50.0 million warrants were exercised by the warrant holders for the issuance of 50.0 million ordinary shares of the Company at HK\$0.2 per share. All the subscribed ordinary shares were issued and fully paid.

Substantial Acquisitions

On 4 December 2009, the Group entered into an agreement for the acquisition of the entire equity interests in GMG Media Group Limited ("GMG") at a total consideration of approximately HK\$1,242 million. GMG was principally engaged in investment holding, with its subsidiaries engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC. The acquisition is not yet completed up to the date of this report. Further details of the transaction were set out in the Company's announcements dated 28 December 2009, 19 January 2010, 26 February 2010 and 26 March 2010.

Charge on Assets

As at 31 December 2009, there was no charge on the Group's assets.

Contingent Liabilities

Details of contingent liabilities are set in note 18 of the notes to the condensed consolidated financial statements.

Employee and Remuneration Policy

The Group has 34 employees (including Directors) as at 31 December 2009 (30 June 2009: 49). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Major Events After the Reporting Period

Details of events after the reporting period are set in note 22 of the notes to the condensed consolidated financial statements.

Prospects

Upon completion of the disposal of iKanTV, the Group realised part of the investment in iKanTV with a considerable gain. The disposal strengthened the financial position of the Group by reducing its liabilities and finance costs. It is expected that the newly proposed acquisition would create meaningful synergies and strengthen the overall competitiveness of the Group. Furthermore, the proposed acquisition of GMG which engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC would enable the Group to expand and enhance the existing business. The Directors are of the view that the proposed acquisition will enhance the operation base and the future income base of the Group. Looking forward, in 2010, the Group will continue with its existing principal business of provision of media and advertising business and continue to explore potential business and investment opportunities in Hong Kong and the PRC that can benefit the Group in the long term.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the six months ended 31 December 2009.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance.

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2009, except for the deviation from provisions A.4.1 and A.2.1 of the Code.

Pursuant to A.4.1 of the Code, Independent Non-executive Directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years. Under the period of review, all Independent Non-executive Directors of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the Code.

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lau Chi Yuen, Joseph was appointed as the Chief Executive Officer on 27 November 2007. In view of the simple structure of the Company, all significant decision making is carried out by all Executive Directors of the Company under the leadership of the Chief Executive Officer. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives effectively and efficiently in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

AUDIT COMMITTEE

In accordance with Appendix 14 of the Listing Rules, the Directors established an Audit Committee since 2004 and the Audit Committee currently comprises three Independent Non-executive Directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the Current Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 31 December 2009.

By Order of the Board
China Outdoor Media Group Limited
Lau Chi Yuen, Joseph
Director

Hong Kong, 29 March 2010

As at the date of this report, the Board of Directors of the Company comprises four Executive Directors, namely Mr. Lau Chi Yuen, Joseph, Mr. Lu Liang, Mr. Tang Lap Chin, Richard and Mr. Ng Yan, and three Independent Non-executive Directors, namely Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Law Tai Yan.

The interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.comg.com.hk under the section of “Investor Relations/Announcements & Notices” respectively.