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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2010

RESULTS

The Board of Directors (the "Board") of China Outdoor Media Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2010 together with the comparative figures of 2009 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2010

	Note	**2010** **HK$'000**	2009 HK$'000 (Restated)
Continuing operations			
Turnover	4	**23,698**	37,681
Direct costs		**(29,397)**	(20,458)
Gross (loss)/profit		**(5,699)**	17,223
Other income	5	**6,353**	3,775
Impairment of goodwill	12	**–**	(22,923)
Administrative and other operating expenses		**(22,245)**	(28,567)
Loss from operations		**(21,591)**	(30,492)
Finance costs	6	**(544)**	(531)
Loss before tax		**(22,135)**	(31,023)
Income tax expense	7	**(38)**	(2,319)
Loss for the year from continuing operations		**(22,173)**	(33,342)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	**10,840**	(16,614)
Loss for the year	9	**(11,333)**	(49,956)
Attributable to:			
Owners of the Company		**(10,032)**	(46,936)
Non-controlling interests		**(1,301)**	(3,020)
		(11,333)	(49,956)
Loss per share			
From continuing and discontinued operations			
– basic	11(a)	**HK(0.88) cent**	HK(4.31) cents
– diluted	11	**N/A**	N/A
From continuing operations			
– basic	11(b)	**HK(1.90) cents**	HK(2.99) cents
– diluted	11	**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(11,333)**	(49,956)
Other comprehensive income after tax:		
Exchange differences on translating foreign operations	**405**	(176)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**–**	(2,612)
Other comprehensive income for the year, net of tax	**405**	(2,788)
Total comprehensive income for the year	**(10,928)**	(52,744)
Attributable to:		
Owners of the Company	**(9,627)**	(49,724)
Non-controlling interests	**(1,301)**	(3,020)
	(10,928)	(52,744)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**753**	1,556
Club membership		**150**	–
Goodwill	*12*	**5,245**	5,245
Investments in associates		**–**	–
		6,148	6,801
Current assets			
Trade and other receivables	*13*	**77,137**	99,909
Bank and cash balances		**10,733**	4,547
		87,870	104,456
Current liabilities			
Trade and other payables		**14,303**	32,037
Borrowings		**1,695**	4,413
Current tax liabilities		**2,320**	2,273
		18,318	38,723
Net current assets		**69,552**	65,733
Total assets less current liabilities		**75,700**	72,534
Non-current liabilities			
Borrowings		**–**	9,000
Convertible loans	*14*	**9,912**	–
		9,912	9,000
NET ASSETS		**65,788**	63,534
Capital and reserves			
Share capital		**11,493**	10,993
Reserves		**55,660**	55,560
Equity attributable to owners of the Company		**67,153**	66,553
Non-controlling interests		**(1,365)**	(3,019)
TOTAL EQUITY		**65,788**	63,534

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

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

In the current year, the Group has adopted all the new and revised HKFRSs 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 substantial changes to the Group's accounting policies and amounts reported for the current year 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. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(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 3 to the 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.

3. 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, impairment of goodwill, income tax expense and corporate administrative and other operating expenses. Segment assets do not include club membership, goodwill and other assets for general administrative use. Segment liabilities do not include current tax liabilities, convertible loans and other liabilities for general administrative use.

Information about reportable segment profit or loss, assets and liabilities:

	Media and advertising – PRC *HK$'000*	Media related *HK$'000*	Total continuing operations *HK$'000*	Television advertising – Hong Kong *HK$'000*	Property investment *HK$'000*	Total discontinued operations *HK$'000*	Total *HK$'000*
Year ended 30 June 2010							
Revenue from external customers	**23,633**	**65**	**23,698**	**1,403**	**–**	**1,403**	**25,101**
Segment loss	**(7,497)**	**(696)**	**(8,193)**	**(1,185)**	**–**	**(1,185)**	**(9,378)**
Interest revenue	**2**	**–**	**2**	**–**	**–**	**–**	**2**
Depreciation and amortisation	**14**	**–**	**14**	**100**	**–**	**100**	**114**
Income tax credit	**(28)**	**–**	**(28)**	**–**	**–**	**–**	**(28)**
Additions to segment non-current assets	**–**	**–**	**–**	**135**	**–**	**135**	**135**
As at 30 June 2010							
Segment assets	**35,081**	**–**	**35,081**	**–**	**–**	**–**	**35,081**
Segment liabilities	**8,666**	**–**	**8,666**	**–**	**–**	**–**	**8,666**
Year ended 30 June 2009							
Revenue from external customers	37,681	–	37,681	663	9,184	9,847	47,528
Segment profit/(loss)	14,860	(5,135)	9,725	(3,757)	(16,294)	(20,051)	(10,326)
Interest revenue	6	–	6	–	124	124	130
Depreciation and amortisation	9	–	9	228	9	237	246
Income tax expense/(credit)	2,319	–	2,319	–	(2,988)	(2,988)	(669)
Other material non-cash items:							
Impairment of goodwill	–	22,923	22,923	–	–	–	22,923
Fair value loss on investment property	–	–	–	–	18,169	18,169	18,169
Additions to segment non-current assets	17	–	17	1,402	8,502	9,904	9,921
As at 30 June 2009							
Segment assets	56,258	–	56,258	1,239	53	1,292	57,550
Segment liabilities	23,471	–	23,471	840	62	902	24,373

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**25,101**	47,528
Elimination of discontinued operations	**(1,403)**	(9,847)
Consolidated revenue	**23,698**	37,681
Profit or loss		
Total profit or loss of reportable segments	**(9,378)**	(10,326)
Other profit or loss	**(13,978)**	(14,727)
Gain/(loss) on disposal of subsidiaries	**12,023**	(1,980)
Impairment loss on goodwill	**–**	(22,923)
Elimination of discontinued operations	**(10,840)**	16,614
Consolidated loss for the year from continuing operations	**(22,173)**	(33,342)
Assets		
Total assets of reportable segments	**35,081**	57,550
Goodwill	**5,245**	5,245
Club membership	**150**	–
Other assets	**53,542**	48,462
Consolidated total assets	**94,018**	111,257
Liabilities		
Total liabilities of reportable segments	**8,666**	24,373
Current tax liabilities	**2,320**	2,273
Convertible loans	**9,912**	–
Other liabilities	**7,332**	21,077
Consolidated total liabilities	**28,230**	47,723

Geographical information:

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,468**	9,847	**6,119**	5,583
PRC except Hong Kong	**23,633**	37,681	**29**	43
Discontinued operations	**(1,403)**	(9,847)	**–**	1,175
Consolidated total	**23,698**	37,681	**6,148**	6,801

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	2010 *HK$'000*	2009 *HK$'000*
Media and advertising – PRC segment		
Customer a	**5,971**	–
Customer b	**3,417**	–
Customer c	**2,890**	–
Customer d	**–**	6,793
Customer e	**–**	6,268
Property investment segment (discontinued operation)		
Customer f	**–**	6,993

4. TURNOVER

	2010 *HK$'000*	2009 *HK$'000*
Sales of properties	**–**	6,993
Property rental income	**–**	2,191
Outdoor media advertising and media related service income	**25,101**	38,344
	25,101	47,528
Representing:		
Continuing operations	**23,698**	37,681
Discontinued operations *(note 8)*	**1,403**	9,847
	25,101	47,528

5. OTHER INCOME

	2010 *HK$'000*	2009 *HK$'000*
Accruals written back	**–**	951
Bad debt recovered	**4,946**	2,000
Bank interest income	**2**	19
Guaranteed income related to investment property	**–**	2,271
Other interest income	**1,343**	439
Referral income	**–**	500
Sundry income	**65**	33
	6,356	6,213
Representing:		
Continuing operations	**6,353**	3,775
Discontinued operations *(note 8)*	**3**	2,438
	6,356	6,213

6. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Interest on convertible loans	**139**	–
Interest on other loans and advances	**386**	520
Interest and charges on bank loans and advances	**20**	19
	545	539
Representing:		
Continuing operations	**544**	531
Discontinued operations *(note 8)*	**1**	8
	545	539

7. INCOME TAX EXPENSE/(CREDIT)

	2010 *HK$'000*	2009 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**66**	–
Current tax – PRC enterprise income tax and land appreciation tax		
Provision for the year	**46**	3,873
Overprovision in prior years	**(74)**	–
	(28)	3,873
Deferred tax	**–**	(4,542)
Income tax expense/(credit)	**38**	(669)
Representing:		
Continuing operations	**38**	2,319
Discontinued operations *(note 8)*	**–**	(2,988)
	38	(669)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 30 June 2010. No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2009 as the Group did not generate any assessable profits arising in Hong Kong during that year.

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 year.

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. 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% interest in a wholly-owned subsidiary, First Union Limited ("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 year ended 30 June 2009. The disposal was completed on 3 April 2009 and the Group discontinued its property investment business.

(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$12,023,000.

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 year. The disposal was completed on 30 September 2009 and the Group discontinued its operation of provision of television advertising services in Hong Kong.

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

	2010	2009
	HK$'000	*HK$'000*
Loss of discontinued operations	**(1,183)**	(14,634)
Gain/(loss) on disposal of discontinued operations	**12,023**	(1,980)
	10,840	(16,614)

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

	Period from 1 July 2009 to 30 September 2009	Year ended 30 June 2009
	HK$'000	*HK$'000*
Turnover	**1,403**	9,847
Direct costs	**(822)**	(6,152)
Gross profit	**581**	3,695
Other income	**3**	2,438
Fair value loss on investment property	**–**	(18,169)
Administrative and other operating expenses	**(1,766)**	(5,578)
Loss from operations	**(1,182)**	(17,614)
Finance costs	**(1)**	(8)
Loss before tax	**(1,183)**	(17,622)
Income tax credit	**–**	2,988
Loss for the period/year	**(1,183)**	(14,634)

During the year, the disposed subsidiaries received approximately HK$1,397,000 (2009: paid HK$6,023,000) in respect of operating activities and paid approximately HK$135,000 (2009: HK$2,301,000) in respect of investing activities. During the year ended 30 June 2009, the disposed subsidiaries received approximately HK$2,706,000 in respect of financing activities.

No tax charge or credit arose on gain/(loss) on disposal of the discontinued operations.

9. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**203**	163	**100**	236	**303**	399
Staff costs including Directors' emoluments						
Salaries, bonus and allowances	**4,031**	5,591	**679**	2,132	**4,710**	7,723
Retirement benefit scheme contributions	**150**	156	**28**	61	**178**	217
	4,181	5,747	**707**	2,193	**4,888**	7,940
Auditor's remuneration	**370**	335	**–**	45	**370**	380
Cost of properties sold	**–**	–	**–**	5,278	**–**	5,278
Fair value loss on investment property	**–**	–	**–**	18,169	**–**	18,169
Operating lease charges						
– Land and buildings	**2,248**	2,372	**77**	354	**2,325**	2,726
– Office equipment	**16**	–	**–**	–	**16**	–
– Billboards	**29,028**	19,587	**–**	–	**29,028**	19,587
Loss on disposal of property, plant and equipment	**18**	1	**–**	–	**18**	1
Bad debts written off	**–**	5,125	**–**	–	**–**	5,125

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 30 June 2010 (2009: Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$10,032,000 (2009: HK$46,936,000) and the weighted average number of ordinary shares of 1,138,381,000 (2009: 1,087,504,000) in issue during the year.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$21,648,000 (2009: HK$32,502,000 (restated)) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

(c) **Earnings/(loss) per share from discontinued operations**

Basic earnings per share from the discontinued operations for the year ended 30 June 2010 is HK1.02 cents (2009: loss per share of HK1.32 cents (restated)), based on the profit for the year from discontinued operation attributable to owners of the Company of approximately HK$11,616,000 (2009: loss of HK$14,434,000 (restated)) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

There were no potential ordinary shares in issue during the years ended 30 June 2009 and 2010. No diluted (loss)/earnings per share were disclosed.

12. GOODWILL

	HK$'000
Cost	
1 July 2008	22,923
Acquisition of subsidiaries	5,245
At 30 June 2009, 1 July 2009 and 30 June 2010	28,168
Accumulated impairment loss	
Impairment loss recognised in the year ended 30 June 2009 and balance at 30 June 2009, 1 July 2009 and 30 June 2010	22,923
Carrying amount	
At 30 June 2010	5,245
At 30 June 2009	5,245

13. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**2,693**	8,037
Prepayments, deposits and other receivables *(note (a) & (b))*	**74,444**	91,872
	77,137	99,909

Notes:

(a) Included consideration receivable for the disposal of First Union of approximately HK$29,000,000 (2009: HK$30,000,000) due from an independent third party. The amount is unsecured, interest-free and repayable on 31 December 2010.

(b) As at 30 June 2009, other receivables included loans to unrelated third parties of approximately HK$4,700,000 which were unsecured, bore interest at the prevailing Hong Kong dollar prime rate plus 2% p.a. and repayable within 12 months.

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:

	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	**1,991**	7,890
31 – 60 days	**606**	–
61 – 90 days	**96**	113
Over 90 days	**–**	34
	2,693	8,037

As of 30 June 2010, trade receivables of approximately HK$702,000 (2009: HK$147,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
31 – 60 days	**606**	–
61 – 90 days	**96**	113
Over 90 days	**–**	34
	702	147

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

	2010	2009
	HK$'000	*HK$'000*
Hong Kong dollars	**–**	36
Renminbi	**2,693**	8,001
Total	**2,693**	8,037

14. CONVERTIBLE LOANS

The convertible loan notes were issued on 26 February 2010. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. The loan notes were convertible at 6,250,000 shares per HK$1,000,000 loan note.

If the notes have not been converted, they will be redeemed at par on 25 February 2012. Interest of 4 per cent will be paid annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, as follows:

	2010
	HK$'000
Nominal value of convertible loan notes issued	**9,800**
Equity component	**(27)**
Liability component at date of issue	**9,773**
Interest charged	**139**
Liability component at 30 June 2010	**9,912**

The interest charged for the year is calculated by applying an effective interest rate of 4.15 per cent to the liability component for the 4 months period since the loan notes were issued.

The Directors estimate the fair value of the liability component of the convertible loan notes at 30 June 2010 to be approximately HK$10,038,000. This fair value has been calculated by discounting the future cash flows at the market rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Transactions

Acquisition

On 4 December 2009, the Group entered into an agreement with Fully Wealthy Inc. (the "Bondholder"), an independent third party, for acquisition of the entire issued share capital of GMG Media Group Limited ("GMG Media"), a company incorporated in the British Virgin Islands. GMG Media 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 consideration of the acquisition of approximately HK$1,241.9 million was satisfied by (i) the allotment and issuance of 100.0 million new shares of the Company, credited as fully paid, in the sum of HK$13.0 million; and (ii) the issuance of convertible loan notes, carrying no interest for a term of 5 years at a conversion price of HK$0.13 for each new share of the Company, in the principal amount of HK$1,228.9 million.

The conditions under the agreement was fulfilled and the acquisition had been completed on 22 July 2010. The consideration was satisfied by the Company through allotment and issuance of 100.0 million new shares of the Company and issuance of convertible loan notes in the principal amount of HK$1,228.9 million. Details of the acquisition are set out in a circular issued by the Company on 26 March 2010 and announcements dated 26 February 2010, 19 April 2010, 27 April 2010 and 22 July 2010.

On 13 August 2010, the Company and the Bondholder entered into a deed (the "Deed") to alter and restate the terms of convertible loan notes in the principal amount of HK$1,228.9 million. On 17 August 2010, the Company and the Bondholder entered into a supplemental deed to amend certain terms of the Deed. The Deed and supplemental deed had been approved by the shareholders at an extraordinary general meeting held on 15 September 2010. Details of the amendments are set out in a circular issued by the Company on 29 August 2010 and announcements dated 13 August 2010, 17 August 2010, 29 August 2010 and 15 September 2010.

Disposal and discontinued operation

During the year, 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 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. Thereafter, the Group discontinued operation of television advertising services in Hong Kong. The disposal 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 year and up to the date of this report:

(a) Sale and purchase agreement

During the year, the Group entered into an agreement with a wholly-owned subsidiary of CPEC to dispose 4% equity interests of iKanTV, a 51% owned subsidiary of the Group, at a total consideration of HK$9.2 million, satisfied by setting off the outstanding loan and interest payable due to CPEC.

(b) Services agreements

On 2 July 2010, the Company entered into agreements with iKanTV and China Post E-Commerce Group Limited ("CPG"), a company incorporated in Hong Kong and a wholly-owned subsidiary of CPEC, pursuant to which iKanTV and CPG shall provide advertising services and administration of websites and customer services supports to the Group commencing from 5 July 2010 and 1 August 2010 (or such later date as the parties may agree) for consideration of HK$4.0 million and HK$2.0 million respectively.

(c) Change of terms of convertible loan notes

On 13 August 2010, the Company and the Bondholder entered into the Deed to alter and restate the terms of convertible loan notes in the principal amount of HK$1,228.9 million. On 17 August 2010, the Company and the Bondholder entered into a supplemental deed to amend certain terms of the Deed. The Deed and supplemental deed had been approved by the shareholders at an extraordinary general meeting held on 15 September 2010. Details of the amendments are set out in a circular issued by the Company on 29 August 2010 and announcements dated 13 August 2010, 17 August 2010, 29 August 2010 and 15 September 2010.

Mr. Lau Chi Yuen, Joseph is a connected person of the Company by virtue of his beneficial interest in CPEC. Accordingly, the entering into the agreements 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").

Mr. Jiang Qi Hang is a connected person of the Company by virtue of his beneficial interest in Fully Wealthy Inc. and he is also a director of a subsidiary of the Company. Accordingly, the change of terms of convertible loan notes constituted connected transaction of the Company under the Listing Rules.

Except for the aforesaid, during the year 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

The turnover generated from provision of outdoor media and advertising services in the PRC and media related services were presented as continuing operations while the turnover generated from provision of television advertising services in Hong Kong and investments in properties for leasing and trading were presented as discontinued operations.

For the year ended 30 June 2010, loss attributed to owners of the Company was approximately HK$10.0 million (2009: HK$46.9 million). The improvement was mainly attributable to the following factors. (1) During the year, provision of outdoor media and advertising services in the PRC business remained the major source of our income. The outdoor media and advertising services in the PRC business segment contributed a loss of approximately HK$7.5 million (2009: profit of HK$12.5 million). The decrease in this business segment result was mainly due to the Group had signed several advertising contracts with different enterprises in the PRC which advertisement mediums were located in Beijing but the Group was unable to secure any order to place advertisement in the mediums provided by such enterprises. (2) No impairment loss made for trade receivables for the year (2009: approximately HK$5.1 million). (3) No impairment loss made for goodwill allocated to any of the cash generating units for the year. (2009: approximately HK$22.9 million) (4) During the year, the Group gained profits from discontinued operations of approximately HK$10.8 million (2009 (restated): loss of HK$16.6 million).

For the year ended 30 June 2010, the Group's total turnover amounted to approximately HK$25.1 million, representing an decrease of 47.2% compared with that of 2009. Details of the decrease in turnover are discussed below:

Media and advertising — PRC segment

Turnover from the provision of outdoor media and advertising services in the PRC for the year ended 30 June 2010 was approximately HK$23.6 million (2009: HK$37.7 million). Turnover during the year was mainly contributed by Shanghai Win Advertising Media Co., Ltd.. Gross loss from provision of outdoor media and advertising services in the PRC for the year was approximately HK$5.1 million (2009: gross profit of HK$17.3 million). The decrease was mainly due to the Group had signed several advertising contracts with different enterprises in the PRC which advertisement mediums were located in Beijing but the Group was unable to secure any order to place advertisement in the mediums provided by such enterprises.

Media related segment

Turnover from the media related segment by providing media consultancy services for the year ended 30 June 2010 was approximately HK$0.1 million (2009: HK$Nil).

Television advertising — Hong Kong segment (discontinued operation)

Turnover from the provision of television advertising services in Hong Kong for the year ended 30 June 2010 was approximately HK$1.4 million (2009: HK$0.6 million). Turnover during the year was mainly contributed by iKanTV, which had been disposed by the Group in September 2009. Gross profit from provision of television advertising services in Hong Kong for the year was approximately HK$0.6 million (2009: HK$0.1 million).

Property investment segment (discontinued operation)

The Group did not have turnover from the operating segment of property investment for the year ended 30 June 2010 due to its operation was discontinued in April 2009 (2009: approximately HK$9.2 million).

The Board of Directors does not recommend the payment of any dividend for the year ended 30 June 2010 (2009: Nil).

Prospects

Upon completion of the disposal of iKanTV and its subsidiary, the Group is no longer engaged in the provision of television advertising services in Hong Kong. The outdoor media and advertising services in the PRC becomes the core business of the Group and the Group will focus its resources in this business segment.

Due to The World Exposition 2010 ("Expo 2010") is held in the city of Shanghai, it is expected that it may bring forth new business opportunities for the Group for sustainable growth and may further strengthen the advertising business of the Group. The strategic location of Shanghai may also attract more opportunities for the Group's outdoor media and advertising services business during and after the Expo 2010.

Besides, upon completion of the acquisition of GMG Media, the Group believes the acquisition will enable the Group to expand into a new line of business segment of operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC, and will enhance the operation base and the future income base of the Group. In addition, the acquisition will create meaningful synergies and strengthen the overall competitiveness of the Group, particularly the capability of providing a wider scope of media advertising and media business related services to client, the potential of cross-selling media and advertising services to clients with different requirements and the potential benefit to the Company in better allocating and managing resources in the Group.

The Group will continue its focus and effort to expand the outdoor media advertising and media related business and continue to explore potential investment opportunities in Hong Kong and the PRC that can benefit the Group in the long term. The Group will also place emphasis on the improvement of operational efficiency and cost control in order to improve its financial performance and position.

Events After the Reporting Period

a. On 4 December 2009, the Group entered into an agreement with the Bondholder, an independent third party, for acquisition of the entire issued share capital of GMG Media, a company incorporated in the British Virgin Islands. The consideration of the acquisition of approximately HK$1,241.9 million was satisfied by (i) the allotment and issuance of 100.0 million new shares of the Company, credited as fully paid, in the sum of HK$13.0 million; and (ii) the issuance of convertible loan notes, carrying no interest for a term of 5 years at a conversion price of HK$0.13 for each new share of the Company, in the principal amount of HK$1,228.9 million.

   The acquisition was approved by shareholders on 19 April 2010. The conditions under the agreement was fulfilled and the acquisition had been completed on 22 July 2010. The consideration was satisfied by the Company through allotment and issuance of 100.0 million new shares of the Company and issuance of convertible loan notes in the principal amount of HK$1,228.9 million. Details of acquisition are set out in a circular issued by the Company on 26 March 2010 and announcements dated 26 February 2010, 19 April 2010, 27 April 2010 and 22 July 2010.

   On 13 August 2010, the Company and the Bondholder, entered into the Deed to alter and restate the terms of convertible loan notes in the principal amount of HK$1,228.9 million. On 17 August 2010, the Company and the Bondholder entered into a supplemental deed to amend certain terms of the Deed. The Deed and supplemental deed had been approved by the shareholders at an extraordinary general meeting held on 15 September 2010. Details of the amendments are set out in a circular issued by the Company on 29 August 2010 and announcements dated 13 August 2010, 17 August 2010, 29 August 2010 and 15 September 2010.

   On 5 October 2010, the Bondholder exercised the conversion right to convert the convertible loan notes in the principal amount of HK$65.0 million into 500.0 million new ordinary shares of the Company.

b. On 26 August 2010 and 18 October 2010, a total of 15.0 million warrants were exercised by the warrant holders for the issuance of 15.0 million new ordinary shares of the Company at HK$0.2 per share. All the subscribed ordinary shares were issued and fully paid.

Liquidity, Financial Resources and Capital Structure

On 10 August 2009, 21 August 2009, 14 September 2009 and 28 December 2009, a total of 50.0 million warrants were exercised for the issuance of 50.0 million new ordinary shares of HK$0.01 each at a price of HK$0.2 to generate the working capital of the Group of HK$10.0 million.

As at 30 June 2010, the Group has net current assets of approximately HK$69.6 million (2009: HK$65.7 million) and equity attributable to owners of the Company of approximately HK$67.2 million (2009: HK$66.6 million). The increase in equity attributable to owners of the Company as compared with last year was mainly attributable to funding of HK$10.2 million generated from the issuance of warrants and ordinary shares during the year, less total comprehensive income attributable to owners of the Company of approximately HK$9.6 million incurred during the year. Bank and cash balances amounted to approximately HK$10.7 million as at 30 June 2010 (2009: HK$4.5 million).

As at 30 June 2010, the Group had short-term borrowings of approximately HK$1.7 million (2009: HK$4.4 million) and long term borrowings of approximately HK$9.9 million (2009: HK$9.0 million). The loans were subject to interests at prevailing commercial lending rate. The gearing ratio of the Group as at 30 June 2010, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 12.3% (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.

Charge on Assets

As at 30 June 2009 and 2010, there was no charge on the Group's assets.

Contingent Liabilities

As at 30 June 2010, the Group had contingent liabilities as follows:

(a) possible claims arising from guarantee related to a former related company of approximately HK$5.0 million (2009: HK$5.0 million); and

(b) possible claims arising from indemnity related to a former subsidiary of approximately RMB6.1 million which was equivalent to HK$7.0 million (2009: RMB6.1 million which was equivalent to HK$6.9 million).

Capital Commitments

As at 30 June 2010, the Group had capital commitment amounted to approximately HK$1,241.9 million arising from acquisition of GMG Media.

As at 30 June 2009, the Group had capital commitment amounted to approximately HK$200.0 million represented contingent consideration for the acquisition of a subsidiary, L&L Partners' Limited.

Employee and Remuneration Policy

The Group has 28 employees (including Directors) as at 30 June 2010 (2009: 46). 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.

Compliance with the Code on Corporate Governance Practices

The Board of Directors of the Company (the "Board") and the management are committed to maintaining and ensuring high standards of corporate governance as good corporate governance can safeguard the interests of all shareholders and enhance corporate value. The Board continuously reviews and improves the corporate governance practices and standards of the Group form time to time to ensure that business activities and decision making possesses are regulated in a proper manner.

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 year ended 30 June 2010, 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.

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 for securities transactions by Directors of the Company. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 30 June 2010.

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 year ended 30 June 2010.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2010 have been reviewed by the audit committee.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2010 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2010. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on the preliminary announcement.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Group for the year ended 30 June 2010 is available for viewing on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.comg.com.hk. The annual report will be despatched to the shareholders of the Company and will also be available for viewing at the aforesaid websites in due course.

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

Hong Kong, 22 October 2010

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.