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 2011

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 2011 together with the comparative figures of 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Continuing operations			
Revenue	5	**28,410**	23,698
Cost of services		**(13,903)**	(29,397)
Gross profit/(loss)		**14,507**	(5,699)
Other income	6	**275**	6,353
Administrative and other operating expenses		**(31,229)**	(22,245)
Finance costs	7	**(35,603)**	(544)
Loss before tax	8	**(52,050)**	(22,135)
Income tax expense	9	**(1,297)**	(38)
Loss for the year from continuing operations		**(53,347)**	(22,173)
Discontinued operations			
Profit for the year from discontinued operations	10	**–**	10,840
Loss for the year		**(53,347)**	(11,333)
Attributable to:			
Owners of the Company		**(49,544)**	(10,032)
Non-controlling interests		**(3,803)**	(1,301)
		(53,347)	(11,333)
Loss per share attributable to ordinary equity holders of the Company	12		
Basic			
– For loss for the year		**HK(2.08) cents**	HK(0.88) cents
– For loss from continuing operations		**HK(2.08) cents**	HK(1.90) cents
Diluted			
– For loss for the year		**N/A**	N/A
– For loss from continuing operations		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(53,347)**	(11,333)
Other comprehensive income		
Exchange differences on translation of foreign operations	**1,583**	405
Other comprehensive income for the year, net of tax	**1,583**	405
Total comprehensive income for the year	**(51,764)**	(10,928)
Attributable to:		
Owners of the Company	**(47,961)**	(9,627)
Non-controlling interests	**(3,803)**	(1,301)
	(51,764)	(10,928)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**1,324**	753
Goodwill	13	**1,252,228**	5,245
Club membership		**150**	150
Investments in associates		**–**	–
		1,253,702	6,148
Current assets			
Trade and other receivables	14	**51,687**	77,137
Bank and cash balances		**35,660**	10,733
		87,347	87,870
Current liabilities			
Trade and other payables		**7,363**	14,303
Other borrowings		**2,401**	1,695
Finance lease payables		**151**	–
Tax payable		**3,660**	2,320
		13,575	18,318
Net current assets		**73,772**	69,552
Total assets less current liabilities		**1,327,474**	75,700
Non-current liabilities			
Finance lease payables		**175**	–
Convertible loan notes	15	**627,464**	9,912
		627,639	9,912
NET ASSETS		**699,835**	65,788
Capital and reserves			
Share capital		**51,438**	11,493
Reserves		**651,718**	55,660
Equity attributable to owners of the Company		**703,156**	67,153
Non-controlling interests		**(3,321)**	(1,365)
TOTAL EQUITY		**699,835**	65,788

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance and the applicable disclosures requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention.

These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 July 2009

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 July 2009

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 July 2009, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to zero. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 July 2009 were not reallocated between non-controlling interest and the parent shareholders.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 July 2009 has not been restated.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2010. The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

		Effective for annual periods beginning on or after
HKFRS 1 (Amendments)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 January 2011
HKFRS 7 (Amendments)	*Transfers of Financial Assets*	1 July 2011
HKFRS 9	*Financial Instruments*	1 January 2013
HKFRS 10	*Consolidated Financial Statements*	1 January 2013
HKFRS 11	*Joint Arrangements*	1 January 2013
HKFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
HKFRS 13	*Fair Value Measurement*	1 January 2013
HKAS 1 (Amendments)	*Presentation of Items of Other Comprehensive Income*	1 July 2012
HKAS 12 (Amendments)	*Deferred Tax: Recovery of Underlying Assets*	1 January 2012
HKAS 19 (2011)	*Employee Benefits*	1 January 2013
HKAS 24 (Revised)	*Related Party Disclosures*	1 January 2011
HKAS 27 (2011)	*Separate Financial Statements*	1 January 2013
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*	1 January 2013
HK(IFRIC)-Int 14 (Amendments)	*Prepayments of a Minimum Funding Requirements*	1 January 2011
HKFRSs (Amendments)	*Improvements to HKFRSs issued in 2010 except for the amendment to HKFRS 3 (Revised), HKFRS 7, HKAS 1 and HKAS 28 that were effective during the year*	1 January 2011

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

(a) Reportable segment

From the perspective of the Group's senior management, it is considered that assessment of operating performance is focused on the Group as a whole (for continuing operations) for the purposes of resource allocation and performance assessment. Therefore management considers the Group has one reporting segment i.e. the media and advertising business.

The television advertising business was discontinued and disposed during the year ended 30 June 2010 (note 10).

Reconciliation of segment information to the information presented in the financial statements has not been presented, as the reconciling items are considered to be immaterial.

(b) Geographical information

No geographical information is shown as the revenue from external customers and non-current assets from continuing operations of the Group are substantially derived from activities or located in the People's Republic of China (the "PRC").

(c) Information about major customers

Revenue from continuing operations of approximately HK$6,059,000 and HK$4,145,000 (2010: HK$5,971,000, HK$3,417,000 and HK$2,890,000) were derived from two (2010: three) single customers from the media and advertising business segment which contributed 10% or more to the Group's revenue for the year ended 30 June 2011.

5. REVENUE

Revenue, which is also the Group's turnover, represents the value of services rendered during the year.

6. OTHER INCOME

An analysis of other income and gains from continuing operations is as follows:

	2011	2010
	HK$'000	*HK$'000*
Bad debts recovered	**–**	4,946
Bank interest income	**5**	2
Other interest income	**–**	1,343
Gain on disposal of property, plant and equipment	**61**	–
Foreign exchange gains, net	**209**	–
Sundry income	**–**	62
	275	6,353

7. **FINANCE COSTS**

An analysis of finance costs from continuing operations is as follows:

	2011	2010
	HK$'000	*HK$'000*
Interest and charges on:		
– bank borrowings	**17**	19
– convertible loan notes	**35,567**	139
– other borrowings	**10**	386
– finance lease	**9**	–
	35,603	544

8. **LOSS BEFORE TAX**

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	2011	2010
	HK$'000	*HK$'000*
Depreciation	**383**	203
Minimum lease payments under operating leases in respect of:		
– Land and buildings	**1,982**	2,248
– Office equipment	**18**	16
– Billboards	**12,698**	29,028
	14,698	31,292
Auditors' remuneration	**400**	370
Employee benefit expense (including directors' remuneration):		
– Salaries and allowances	**4,415**	4,031
– Retirement benefit schemes contributions	**136**	150
	4,551	4,181
Impairment loss on other receivables	**2,278**	–
(Gain)/loss on disposal of property, plant and equipment	**(61)**	18

9. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**–**	66
Underprovision in prior years	**81**	–
	81	66
Current tax – the PRC		
Provision for the year	**1,216**	46
Overprovision in prior years	**–**	(74)
	1,216	(28)
Total provision for the year	**1,297**	38

Hong Kong profits tax is calculated at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. During the year ended 30 June 2011, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits arising in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable income tax rate of the PRC subsidiaries is 25% (2010: 25%).

10. DISCONTINUED OPERATIONS

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 would dispose its 4% equity interests in a subsidiary, iKanTV Limited ("iKanTV"), in a consideration of approximately HK$9,200,000.

iKanTV held 51% equity interests in HD Production Limited ("HD Production"). iKanTV and HD Production were engaged in the provision of television advertising services in Hong Kong. The disposal of iKanTV was completed on 30 September 2009 and the Group discontinued its operation of provision of television advertising services in Hong Kong.

The loss for the year from the discontinued operations is analysed as follows:

	2010
	HK$'000
Loss of discontinued operations	(1,183)
Gain on loss on control of subsidiaries	12,023
	10,840

The loss of the discontinued operations for the period from 1 July 2009 to 30 September 2009 (date of loss on control) is presented follows:

	2010
	HK$'000
Revenue	1,403
Cost of services	(822)
Gross profit	581
Other income	3
Administrative expenses	(1,766)
Finance costs	(1)
Loss before tax	(1,183)
Income tax expense	–
Loss for the period	(1,183)

The net cash flows incurred by iKanTV and its subsidiaries are as follows:

	2010
	HK$'000
Operating activities	1,397
Investing activities	(135)
	1,262

11. DIVIDENDS

The directors (the "Directors") of the Company do not recommend the payment of any dividend for the year ended 30 June 2011 (2010: Nil).

12. LOSS 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$49,544,000 (2010: HK$10,032,000) and the weighted average number of ordinary shares of 2,385,922,000 (2010: 1,138,381,000) 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$49,544,000 (2010: HK$21,648,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

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

Basic earnings per share from the discontinued operations for the year ended 30 June 2011 is HK$Nil (2010: earnings per share of HK1.02 cents), based on the profit for the year from discontinued operation attributable to owners of the Company of approximately HK$Nil (2010: profit of HK$11,616,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 2011 and 2010 in respect of a dilution as the impact of the share options, warrants and convertible loan notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. GOODWILL

	2011	2010
	HK$'000	*HK$'000*
Cost		
At beginning of the year	**28,168**	28,168
Acquisition of subsidiaries *(note 16)*	**1,246,983**	–
At end of the year	**1,275,151**	28,168
Accumulated impairment		
At beginning of the year	**22,923**	22,923
Provided during the year	**–**	–
At end of the year	**22,923**	22,923
Net carrying amount		
At 30 June	**1,252,228**	5,245

14. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**1,609**	2,693
Prepayments, deposits and other receivables		
– Other receivables	**30,104**	20,476
– Consideration receivable from an independent third party *(note (i))*	**–**	29,000
– Deferred expenses	**21,360**	21,608
– Prepayment and deposits	**892**	3,360
	52,356	74,444
Impairment *(note (ii))*	**(2,278)**	–
	50,078	74,444
	51,687	77,137

Notes:

(i) The amount represents consideration receivable for the disposal of a subsidiary, First Union Limited, of approximately HK$29,000,000 due from an independent third party. The amount had been fully settled during the year ended 30 June 2011.

(ii) An impairment loss of HK$2,278,000 (2010: Nil) was provided for other receivable from an independent third party with a carrying amount of HK$4,556,000 (before deducting the impairment loss) during the year.

Other than note (ii) mentioned above, the financial assets included in the prepayments, deposits and other receivables related to receivables for which there was no recent history of default.

The Group's trading terms with customers are mainly on credit. The credit period is generally 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by Directors. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An ageing analysis of trade receivables, based on the invoice date, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**1,189**	1,991
31 – 60 days	**132**	606
61 – 90 days	**–**	96
Over 90 days	**288**	–
	1,609	2,693

The ageing analysis of trade receivables that are past due but not individually nor collectively considered to be impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
1 – 30 days past due	**132**	606
31 – 60 days past due	**–**	96
Over 60 days past due	**288**	–
	420	702

Receivables that were past due but not impaired relate to a number of independent customers for whom there in no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

15. CONVERTIBLE LOAN NOTES

Details of the issued Company's convertible loan notes are set out below:

(a) CB Feb 2010

On 26 February 2010, the Company issued convertible loan notes with principal amounts of HK$9,800,000 ("CB Feb 2010"). CB Feb 2010 are convertible into ordinary shares of the Company at any time between the date of issue of CB Feb 2010 and their settlement date. CB Feb 2010 are convertible at 6,250,000 shares per HK$1,000,000 principal amounts. If CB Feb 2010 have not been converted, they will be redeemed at par on 25 February 2012. Interest of 4% per annum will be paid annually until that settlement date.

In April 2011, CB Feb 2010 had been fully converted and 61,250,000 new ordinary shares of the Company had been issued.

(b) Restated CB Jul 2010

On 22 July 2010, the Company issued convertible loan notes with principal amounts of HK$1,228,890,000 ("CB Jul 2010") as part of the consideration for the acquisition of a subsidiary, GMG Media Group Limited ("GMG Media"). On 13 August 2010, the Company and Fully Wealthy Inc. (the "Bondholder") entered into a deed (the "Deed") to alter and restate the terms of CB Jul 2010 ("Restated CB Jul 2010"). 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 at extraordinary general meeting held on 15 September 2010. Restated CB Jul 2010 are convertible into ordinary shares of the Company at any time between 16 September 2010 and their settlement date. Restated CB Jul 2010 are convertible at 7,692,307 shares per HK$1,000,000 principal amounts. The Company may at any time before 21 July 2015 by serving at least ten days' prior written notice to the Bondholder with the total amount proposed to be redeemed from the Bondholder.

On 21 July 2015, if any Restated CB Jul 2010 have not been converted, subject to the Hong Kong Code of Turnovers and Mergers and public float requirement of the Listing Rules, the remaining Restated CB Jul 2010 shall converted into shares of the Company. Any remaining outstanding Restated CB Jul 2010 which cannot be converted will be cancelled. Restated CB Jul 2010 are non-interest bearing.

The fair values of the liability components of CB Feb 2010 and Restated CB Jul 2010 were estimated at the issuance dates using an equivalent market interest rate (approximately 4.2% and 4.2% respectively) for a similar bond without a conversion option. The residual amounts are assigned as the equity component and are included in shareholders' equity.

The convertible loan notes issued during the relevant year have been split as to the liability and equity components, as follows:

	CB Feb 2010		**Restated CB Jul 2010**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**9,912**	–	**–**	–	**9,912**	–
Nominal value of convertible loan notes issued during the year	**–**	9,800	**1,228,890**	–	**1,228,890**	9,800
Equity component	**–**	(27)	**(228,488)**	–	**(228,488)**	(27)
Liability component at issuance date	**–**	9,773	**1,000,402**	–	**1,000,402**	9,773
Conversion	**(9,789)**	–	**(408,187)**	–	**(417,976)**	–
Interest expense	**318**	139	**35,249**	–	**35,567**	139
Interest paid	**(441)**	–	**–**	–	**(441)**	–
Liability component at 30 June	**–**	9,912	**627,464**	–	**627,464**	9,912

16. ACQUISITION OF SUBSIDIARIES

On 22 July 2010, the Group acquired 100% equity interests in GMG Media and its subsidiaries (collectively the “GMG Group”). GMG Group is principally engaged in the provisions of chain broadcasting media networks in the PRC. The acquisition was made as part of the Group’s strategy to strength its advertising and media business in the PRC.

The purchase consideration for the acquisition of HK$1,241,890,000 was satisfied by (i) the allotment and issuance of 100,000,000 shares of HK$0.01 each (“Consideration Shares”), credited as fully paid, in the sum of HK$13,000,000; and (ii) the issuance of convertible loan notes, CB July 2010, carrying no interest for a term of 5 years at a conversion price of HK$0.13 for each share of the Company, in the principal amount of HK$1,228,890,000. Detail of the acquisition is set out in a circular issued by the Company on 26 March 2010.

On 22 July 2010, the Company issued the Consideration Shares to the vendor. The fair value of one Consideration Shares of HK$0.223 was determined by reference to the Stock Exchange closing price of the Company’s shares on the date of issue.

The fair value of the identifiable assets and liabilities of GMG Group acquired at the date of acquisition is as follows:

	HK$’000
Property, plant and equipment	**407**
Trade and other receivables	**1,621**
Bank and cash balances	**4,232**
Trade and other payables	**(206)**
Total identifiable net assets at fair value	**6,054**
Non-controlling interests	**(1,847)**
Goodwill on acquisition *(note 13)*	**1,246,983**
Purchase consideration	**1,251,190**
Satisfied by:	
Fair value of Consideration Shares issued	**22,300**
CB July 2010 issued	**1,228,890**
	1,251,190

An analysis of the cash flows in respect of the acquisition of the GMG Group is as follows:

	HK$’000
Cash consideration	**–**
Bank and cash balances acquired	**4,232**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**4,232**

The acquired subsidiaries contributed net loss of approximately HK$74,000 to the Group’s loss for the period between the date of acquisition and the end of the reporting period.

Had the business combination taken place at 1 July 2010, the revenue of the Group would remain unchange and the loss of the Group for the year would have been HK$49,105,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Transactions

Acquisition

On 4 December 2009, the Group entered into an agreement with the Bondholder, an independent third party, for the acquisition of the entire issued share capital of GMG Media, a company incorporated in the British Virgin Islands. GMG Media was principally engaged in investment holding, with its subsidiaries engaged in the provisions of chain broadcasting media networks in the PRC. The consideration for the acquisition of approximately HK$1,241.9 million was satisfied by (i) the allotment and issuance of Consideration Shares, credited as fully paid, in the sum of HK$13.0 million; and (ii) the issuance of CB Jul 2010, 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 Consideration Shares and CB Jul 2010. 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 CB Jul 2010 in the principal amount of HK$1,228.9 million ("Restated CB Jul 2010"). 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.

Approximately of HK$1,247.0 million had been recognised as goodwill upon the acquisition of GMG Media. Further details are set out in note 16 above.

Connected Transactions

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

(a) Services agreements

On 2 July 2010, the Company entered into agreements with iKanTV, a company incorporated in British Virgin Islands and a subsidiary of China Post E-Commerce (Holdings) Limited ("CPEC"), 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. Such transactions as from ceased to be connected transactions since 26 November 2010 as Mr. Lau Chi Yuen, Joseph ceased to be a connected person of the Company.

(b) 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. 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

For the year ended 30 June 2011, the Group's total turnover (including continuing and discontinued operations) amounted to HK$28.4 million, representing an increase of 13.2% compared with that in 2010. The total revenue for the year was contributed from provision of media and advertising services.

For the year ended 30 June 2011, loss attributed to owners of the Company was approximately HK$49.5 million (2010: HK$10.0 million), despite the Group recorded a continuing growth in revenue and gross profit (including continuing and discontinued operations), which amounted to approximately HK$28.4 million and HK$14.5 million respectively for the year ended 30 June 2011 (2010: HK$25.1 million and gross loss of HK$5.1 million respectively). The increase in loss was attributable to the following factors: (1) the substantial imputed interest expenses of approximately HK$35.6 million on the Restated CB Jul 2010 incurred for the year (2010: HK$Nil); (2) the increase in advertising and marketing expenses by approximately HK$7.5 million (2010: HK$0.1 million); (3) no profits gained from discontinued operations for the year (2010: gain of HK$10.8 million); and (4) impairment loss amounted to HK$2.3 million had been provided for other receivable (2010: HK$Nil).

For the year ended 30 June 2011, the Group's total turnover (including continuing and discontinued operations) amounted to approximately HK$28.4 million, representing an increase of 13.2% compared with that of 2010. Details of the increase in turnover are discussed below:

Media and advertising

Turnover and gross profit from the provision of media and advertising services for the year ended 30 June 2011 was approximately HK$28.4 million and HK$14.5 million respectively (2010: HK$23.7 million and HK$5.7 million (gross loss) respectively). Turnover during the year was mainly contributed by Shanghai Win Advertising Media Co., Ltd.. The improved performance was mainly due to the positive impact of The World Exposition 2010 which brought new business opportunities to the Group and in the year. In addition, the Group has successfully bargained with several billboards contractors for a better price and prime billboard locations. As a result, the gross profit for the year increased significantly.

Television advertising — Hong Kong segment (discontinued operation)

The Group did not have turnover from the operating segment of television advertising for the year ended 30 June 2011 due to its operation was discontinued in September 2009. (2010: HK$1.4 million).

The Board of Directors does not recommend the payment of any dividend for the year ended 30 June 2011 (2010: Nil).

Prospects

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.

On 15 August 2011, GMG Media entered into a non-legally binding memorandum of understanding ("MOU") with Zhejiang Daily Join-Home Media Holdings Group Limited ("Zheijing Daily Join-Home Media"), who is principally engaged in out of home media business, including large-scale outdoor LED screens, and indoor LCD screens, advertising design, management and sales business in China, pursuant to which Zheijing Daily Join-Home Media has entrusted GMG Media with the sales of advertising pages in its free newspaper and magazine, sales of advertising airtime in the LCD outdoor screens, sales of advertising pages in its animated entertainment news and the sales of service package of its self developed mobile phone application software, i-Marker. By implementation of the MOU in coming future, the Group believes that by providing a wider scope of media advertising in different media, like LCD outdoor screens, free newspaper and magazines, the cross-selling media and advertising services to client will build up a comparative advantage in the industry and is a strategic move for the Group in order to enhance its current market position in the PRC and Hong Kong and will provide an attractive return on investment.

The Group will continue its focus and effort to expand the 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

On 19 July 2011 and 4 August 2011, the current bondholders of Restated CB Jul 2010 exercised the conversion right to convert Restated CB Jul 2010 in the total principal amount of HK$348.4 million into 2,680.0 million new ordinary shares of the Company.

Liquidity, Financial Resources and Capital Structure

On 22 July 2010, Consideration Shares, credited as fully paid, in the sum of HK$22.3 million had been issued upon the completed of acquisition of a subsidiary, GMG Media.

On 31 August 2010, 13 October 2010, 4 March 2011 and 28 April 2011, a total of 60.0 million warrants were exercised for the issuance of 60.0 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$12.0 million.

On 20 May 2011, 20.0 million warrants were exercised for the issuance of 20.0 million new ordinary shares of HK$0.01 each at a price of HK$0.16 to generate the working capital of the Group of HK$3.2 million.

On 11 April 2011, 61.3 million new shares of the Company, credited as fully paid, had been issued upon the fully conversion of the CB Feb 2010 in the principal amount of HK$9.8 million.

On 5 October 2010, 21 January 2011, 24 January 2011, 28 January 2011, 14 March 2011, 21 March 2011, 12 April 2011, 4 May 2011, 20 May 2011 and 23 May 2011, a total of 3,753.3 million new shares of the Company, credited as fully paid, had been issued upon the conversion of the Restated CB Jul 2010 in the principal amount of HK$487.9 million.

As at 30 June 2011, the Group has net current assets of approximately HK$73.8 million (2010: HK$69.6 million) and equity attributable to owners of the Company of approximately HK$703.2 million (2010: HK$67.2 million). The increase in equity attributable to owners of the Company as compared with last year was mainly attributable to funding of (i) HK$15.2 million generated from the issuance of ordinary shares by exercise of warrants during the year; (ii) HK$22.3 million generated from the issuance of ordinary shares due to acquisition of GMG Media; (iii) total of HK$418.0 million generated from the issuance of ordinary shares by conversion of CB Feb 2010 and Restated CB Jul 2010; (iv) HK$228.5 million generated from the equity portion of issuance of CB Jul 2010; and (v) total comprehensive loss attributable to owners of the Company of approximately HK$49.5 million incurred during the year. Bank and cash balances amounted to approximately HK$35.7 million as at 30 June 2011 (2010: HK$10.7 million). The significant increase was due to HK$29.0 million had been received from an independent third party during the year regarding the consideration receivable for the disposal of First Union Limited .

As at 30 June 2011, the Group had short-term borrowings of approximately HK$2.6 million (2010: HK$1.7 million) and long term borrowings of approximately HK$627.6 million (2010: HK$9.9 million). The significant increase of long term borrowings was mainly due to the issuance of Restated CB Jul 2010 of which HK$627.5 million of liability components of Restated CB Jul 2010 had been recorded. Those borrowings except for the Restated CB Jul 2010 were subject to interests at prevailing commercial lending rate. The gearing ratio of the Group as at 30 June 2011, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 47.0% (2010: 12.3%).

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 2011, the Group has pledged property, plant and equipment with the net carrying amount of approximately HK$0.5 million (2010: HK$Nil) to secure the finance lease payables of approximately HK$0.3 million (2010: HK$Nil).

Contingent Liability

As at 30 June 2010, the Group had contingent liability as possible claims arising from indemnity related to a former subsidiary of approximately RMB6.1 million which was equivalent to HK$7.4 million (2010: RMB6.1 million which was equivalent to HK$7.0 million).

Capital Commitments

The Group had no capital commitments as at 30 June 2011.

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

Employee and Remuneration Policy

The Group has 37 employees (including Directors) as at 30 June 2011 (2010: 28). 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 the Company 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 2011, except for the deviation from provision A.4.1 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 ("AGM") of the Company in line with the Company's Articles of Association ("Articles"). 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.

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 2011.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

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 2011.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2011 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 2011 have been agreed by the Group's auditor, Martin C.K. Pong & Company, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2011. The work performed by Martin C.K. Pong & Company 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 Martin C.K. Pong & Company on the preliminary announcement.

PUBLICATION ON ANNUAL RESULTS AND ANNUAL REPORT

This results announcement of the Group for the year ended 30 June 2011 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, 27 September 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Wang Gang, Mr. Zhu Defu, Mr. Tsui Wing Cheong, Sammy, Ms. Hu Wei, Mr. Lau Chi Yuen, Joseph, Mr. Lu Liang, Mr. Tang Lap Chin, Richard and Mr. Ng Yan, the Non-executive Director of the Company is Dr. Gao Hong Xing 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.