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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 2012

RESULTS

The Board of Directors of China Outdoor Media Group Limited (the “Company”) hereby presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 December 2012 (the “Current Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2012

		Six months ended	
		31 December	
		2012	2011
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	22,696	6,746
Cost of services		<u>(15,475)</u>	<u>(4,908)</u>
Gross profit		7,221	1,838
Other income		25	155
Administrative and other operating expenses		(7,081)	(13,579)
Finance costs	6	<u>(11)</u>	<u>(6,903)</u>
Profit/(loss) before tax		154	(18,489)
Income tax expense	7	<u>(1,278)</u>	<u>(205)</u>
Loss for the period	8	<u>(1,124)</u>	<u>(18,694)</u>
Attributable to:			
Owners of the Company		(972)	(18,567)
Non-controlling interests		<u>(152)</u>	<u>(127)</u>
		<u>(1,124)</u>	<u>(18,694)</u>
		HK cent	HK cent
Loss per share attributable to ordinary equity holders of the Company	10		
– Basic and diluted		<u>(0.01)</u>	<u>(0.23)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(1,124)	(18,694)
Other comprehensive income for the period, net of tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	<u>675</u>	<u>1,236</u>
Total comprehensive income for the period	<u>(449)</u>	<u>(17,458)</u>
Attributable to:		
Owners of the Company	(297)	(17,331)
Non-controlling interests	<u>(152)</u>	<u>(127)</u>
	<u>(449)</u>	<u>(17,458)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	530	653
Club membership		150	150
Goodwill	12	402,393	402,393
Interests in associates		—	—
		<u>403,073</u>	<u>403,196</u>
Current assets			
Trade receivables, prepayments, deposits and other receivables	13	67,799	55,940
Bank and cash balances		13,487	16,440
		<u>81,286</u>	<u>72,380</u>
Current liabilities			
Trade, other payables and accruals	14	25,908	17,977
Other borrowings	15	2,401	2,401
Finance lease payables	16	100	151
Tax payable		5,848	4,472
		<u>34,257</u>	<u>25,001</u>
Net current assets		<u>47,029</u>	<u>47,379</u>
Total assets less current liabilities		450,102	450,575
Non-current liability			
Finance lease payables	16	—	24
NET ASSETS		<u>450,102</u>	<u>450,551</u>
Capital and reserves			
Share capital	18	108,435	108,435
Reserves		344,985	345,282
Equity attributable to owners of the Company		<u>453,420</u>	<u>453,717</u>
Non-controlling interests		<u>(3,318)</u>	<u>(3,166)</u>
TOTAL EQUITY		<u>450,102</u>	<u>450,551</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2012

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. 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's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively, the "Group") was principally engaged in the provision of outdoor media advertising and media related services during the Current Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements (the "Interim 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 disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Statements should be read in conjunction with the 2012 annual financial statements.

The accounting policies applied are consistent with those set out in the annual financial statements for the year ended 30 June 2012 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") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2012. The adoption of these new and revised HKFRSs has had no significant financial effect on the Interim Financial Statements except as described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income" and the "income statement" is renamed as the "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on the financial position or performance.

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 the purposes of resource allocation and performance assessment. Therefore management considers the Group has one reporting segment i.e. the media and advertising business.

Reconciliation of segment information to the information presented in the Interim 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 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 operations of approximately HK\$16,323,000 (2011: HK\$5,191,000) were derived from two (2011: four) customers from the media and advertising business segment which contributed 10% or more to the Group's revenue for the Current Period.

5. REVENUE

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

6. FINANCE COSTS

	Six months ended	
	31 December	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank charges	6	6
Interest on convertible loan notes (<i>note 17</i>)	–	6,891
Finance lease charges	5	6
	11	6,903

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – charge for the period		
Hong Kong	–	–
The PRC	1,278	205
	<u>1,278</u>	<u>205</u>

No provision for Hong Kong Profits Tax has been provided for the period as the Group has no estimated assessable profit in Hong Kong for the Current Period (2011: Nil).

PRC Enterprise Income Tax is calculated at a statutory rate of 25% (2011: 25%) on 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.

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Six months ended 31 December	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation	129	164
Directors' remuneration	299	258
Loss on disposal of property, plant and equipment	–	427
Minimum lease payments under operating leases in respect of land and buildings	441	817
Interest income	(1)	(1,118)

9. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the Current Period (2011: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$972,000 (2011: HK\$18,567,000) and the weighted average number of ordinary shares of 10,843,535,000 (2011: 7,932,304,531) in issue during the Current Period.

Since the effect of all potential ordinary shares are anti-dilutive for the periods ended 31 December 2012 and 2011, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution.

11. PROPERTY, PLANT AND EQUIPMENT

During the Current Period, the Group has not acquired any items of property, plant and equipment.

At 31 December 2012, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to approximately HK\$259,000 (30 June 2012: HK\$337,000).

12. GOODWILL

	As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)
Cost		
At beginning and end of the period/year	<u>1,275,151</u>	<u>1,275,151</u>
Accumulated impairment		
At beginning of the period/year	872,758	22,923
Provided during the period/year	<u>–</u>	<u>849,835</u>
At end of the period/year	<u>872,758</u>	<u>872,758</u>
Net carrying amount		
At beginning and end of the period/year	<u>402,393</u>	<u>402,393</u>

13. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)
Trade receivables	<u>8,839</u>	<u>5,593</u>
Prepayments, deposits and other receivables	75,248	66,376
Impairment	<u>(16,288)</u>	<u>(16,029)</u>
	<u>58,960</u>	<u>50,347</u>
	<u>67,799</u>	<u>55,940</u>

The Group's trading terms with customers are mainly on credit or received in advance. 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 of the Company. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest bearing.

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

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Within 30 days	854	589
31-60 days	596	445
61-90 days	465	445
Over 90 days but within 1 year	4,110	3,614
Over 1 year	2,814	500
	<u>8,839</u>	<u>5,593</u>

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Trade payables	5,112	1,645
Other payables and accruals	20,796	16,332
	<u>25,908</u>	<u>17,977</u>

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

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Within 30 days	3,284	1,645
31-60 days	1,828	–
	<u>5,112</u>	<u>1,645</u>

15. OTHER BORROWINGS

	As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)
Other loans	<u>2,401</u>	<u>2,401</u>

The other loans are unsecured, interest-free and has no fixed term of repayment.

16. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)	As at 31 December 2012 HK\$'000 (unaudited)	As at 30 June 2012 HK\$'000 (audited)
Within one year	108	161	100	151
In the second to fifth years, inclusive	<u>–</u>	<u>28</u>	<u>–</u>	<u>24</u>
	108	189	<u>100</u>	<u>175</u>
Less: Future finance charges	<u>(8)</u>	<u>(14)</u>		
Present value of lease obligations	100	175		
Less: Amount due for settlement within one year	<u>100</u>	<u>(151)</u>		
Non-current portion	<u>–</u>	<u>24</u>		

The Group leases a motor vehicle under finance lease. The lease term is three years. The effective borrowing rate was 2.4% (30 June 2012: 2.4%) per annum.

17. CONVERTIBLE LOAN NOTES

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.

During the year ended 30 June 2012, Restated CB Jul 2010 had been fully converted and 5,699,721,000 ordinary shares of the Company had been issued.

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

The movements of the liability component of the Restated CB Jul 2010 during the year ended 30 June 2012 are set out as follows:

	<i>HK\$’000</i>
At beginning of the year	627,464
Conversion	(634,355)
Interest expense	6,891
Liability component at end of the year	–

The interest charged for the year ended 30 June 2012 is calculated by applying an effective interest rate of 4.198% per annum to the liability component of Restated CB Jul 2010.

18. SHARE CAPITAL

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
10,843,535,000 (30 June 2012: 10,843,535,000) ordinary shares of HK\$0.01 each	<u>108,435</u>	<u>108,435</u>

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

	<i>Note</i>	Number of shares '000	Par value <i>HK\$'000</i>
1 July 2011		5,143,814	51,438
Conversion of Restated CB Jul 2010	(a)	<u>5,699,721</u>	<u>56,997</u>
At 30 June 2012 and 31 December 2012		<u>10,843,535</u>	<u>108,435</u>

Note:

- (a) During the year ended 30 June 2012, on 19 July 2011, 4 August 2011, 28 October 2011, 28 November 2011, 8 December 2011 and 12 December 2011, total of 5,699,721,000 shares of HK\$0.01 each were issued for the conversion of Restated CB Jul 2010 (note 17) with the principle amounts of HK\$740,964,000. Total amount of HK\$137,767,000 was transferred from the convertible loan notes equity component to share premium upon the conversion of the Restated CB Jul 2010.

19. CONTINGENT LIABILITIES

Financial guarantees issued

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

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Indemnity related to a former subsidiary (<i>note 20(b)</i>)	<u>7,588</u>	<u>7,460</u>

20. 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\$1,600,000 together with the interest thereon. As the Company had never borrowed money from that individual third party, the directors of the Company 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 of the Company have instructed the lawyer of the Company to handle this matter. The loan advanced by the lender of HK\$1,523,000 together with interest and penalty of HK\$1,149,000, totaling of approximately HK\$2,672,000, were accrued in the Interim Financial Statements (included in other borrowings and other payables and accruals, respectively) and has not yet been settled as at 31 December 2012.

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 Interim 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 RMB6,100,000 related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors of the Company 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 RMB6,100,000. 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 of the Company 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 RMB6,100,000, equivalent to approximately HK\$7,588,000 (30 June 2012: RMB6,100,000, equivalent to approximately HK\$7,460,000), has been shown as contingent liabilities in note 19.

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 Interim Financial Statements.

21. OPERATING LEASE COMMITMENTS

At 31 December 2012, the total future minimum lease payments under non- cancellable operating leases are payable as follows:

	As at 31 December 2012 <i>HK\$'000</i> (unaudited)	As at 30 June 2012 <i>HK\$'000</i> (audited)
Within one year	2,350	325
In the second to fifth years inclusive	2,838	23
	<u>5,188</u>	<u>348</u>

Operating lease payments represented rental payables by the Group for certain of its offices and office equipment. Leases are negotiated for terms ranged from three months to five years and lease payments are fixed over the lease terms and do not include contingent rentals.

22. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with its related parties during the Current Period:

	Six months ended 31 December 2012 <i>HK\$'000</i> (unaudited)	2011 <i>HK\$'000</i> (unaudited)
Advertising expenses paid to an associate	–	909
Advertising income received from an associate	–	167
Consultancy fee paid to a related company (<i>note (a)</i>)	180	462
Consultancy fee paid to a related company (<i>note (b)</i>)	–	298
Advertising expense paid to a related company (<i>note (c)</i>)	–	706
	<u> </u>	<u> </u>

Notes:

- (a) A director of the Company, Mr. Tang Lap Chin, Richard, has significant influence over the related company and is a director and a substantial shareholder of the related company.
- (b) A director of the Company, Mr. Lau Chi Yuen, Joseph, has significant influence over the related company and is a director and a substantial shareholder of the ultimating holding company of the related company.
- (c) A director of the Company, Mr. Lau Chi Yuen, Joseph, has significant influence over the related company and is a director and a substantial shareholder of the related company.

23. EVENTS AFTER THE REPORTING PERIOD

On 7 December 2012 (after trading hours), the Group entered into an agreement (the “Agreement”) to acquire the entire issued share capital of China Tianxia Media Group (Hong Kong) Limited (“China Tianxia”) for a total consideration of HK\$150,000,000 (the “Acquisition”), satisfied by (a) the allotment and issuance of 807,692,309 new shares of the Company, credited as fully paid, in the sum of HK\$105,000,000; and (b) the remaining balance of HK\$45,000,000 shall be satisfied by the Group to issue the lock up convertible bonds and the lock up certificates. China Tianxia was principally engaged in investment holding, with its subsidiaries engaged in operating the publication of “Tao 淘” and “taobao tianxia 淘寶天下” magazines and all other publication businesses in relation thereto and the editing, publishing, circulating, sales and marketing of the “Go Out International Chinese Edition” magazine in the capacity as the authorised representative of Go Out (Hong Kong) Publishing Limited.

The Acquisition has not been completed up to the date of this announcement and it is impracticable at this moment to disclose further informations about the acquisition. Further details of the Acquisition are set out in an announcement of the Company dated 7 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Connected Transactions

Details of connected transactions are set out in note 22 to the Interim Financial Statements. Except for the aforesaid, during the Current Period and up to the date of this announcement, 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, loss attributable to owners of the Company was approximately HK\$972,000 (2011: HK\$18.6 million) and the Group's total turnover amounted to approximately HK\$22.7 million and gross profit of HK\$7.2 million respectively (2011: HK\$6.7 million and HK\$1.8 million respectively), representing an increase of 238.8% and 300% respectively compared with the corresponding period of last year. The total revenue for the Current Period was contributed from provision of media and advertising services. The Board of Directors does not recommend the payment of any dividend for the Current Period (2011: Nil). Details of the increase in turnover and gross profit are discussed as below.

Media and advertising – PRC segment

The turnover derived from operating segment of media and advertising – PRC was approximately HK\$22.7 million (2011: HK\$6.7 million) which represented an increase of 238.8% comparing to the corresponding period of last year and the gross profit ratio was 31.8% (2011: approximately 27.2%) which represented an increase of 16.9% comparing to the corresponding period of last year. The increase in the turnover of this operating segment was mainly due to most advertising contracts were expired during the period ended 31 December 2011. Accordingly, the turnover and gross profit for the Current Period was higher when comparing the corresponding period of last year.

Liquidity and Financial Resources

As at 31 December 2012, the Group has net current assets of approximately HK\$47.0 million (30 June 2012: HK\$47.4 million) and equity attributable to owners of the Company of approximately HK\$453.4 million (30 June 2012: HK\$453.7 million). The decrease in equity attributable to owners of the Company as compared with 30 June 2012 was mainly attributable to total comprehensive loss attributable to owners of the Company of approximately HK\$297,000 incurred during the Current Period.

As at 31 December 2012, the Group had short term borrowings of approximately HK\$2.5 million (30 June 2012: HK\$2.6 million) and no long term borrowings was noted in the Current Period . As at 30 June 2012, the Group had long term borrowing of HK\$24,000. The short term borrowings of HK\$0.1 million bear interest at prevailing market rates. The remaining short term borrowings of HK\$2.4 million are interest-free. The gearing ratio of the Group as at 31 December 2012, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 0.5% (30 June 2012: 0.5%).

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

As at 31 December 2012, there was no change on the Company's issued share capital.

Major Acquisition

On 7 December 2012 (after trading hours), the Group entered into an agreement to acquire the entire issued share capital of China Tianxia Media Group (Hong Kong) Limited ("China Tianxia") for a total consideration of HK\$150,000,000 (the "Acquisition"). China Tianxia was principally engaged in investment holding, with its subsidiaries engaged in operating the publication of "Tao 淘" and "taobao tianxia 淘寶天下" magazines and all other publication businesses in relation thereto and the editing, publishing, circulating, sales and marketing of the "Go Out International Chinese Edition" magazine in the capacity as the authorised representative of Go Out (Hong Kong) Publishing Limited. The Acquisition is not yet completed up to the date of this announcement. Further details of the Acquisition are set out in an announcement of the Company dated 7 December 2012.

Charge on Assets

As at 31 December 2012, the Group has pledged property, plant and equipment of approximately HK\$0.3 million (30 June 2012: HK\$0.3 million) to secure the finance lease payables of approximately HK\$0.1 million (30 June 2012: HK\$0.2 million).

Contingent Liabilities

Details of contingent liabilities are set in note 19 to the Interim Financial Statements.

Employee and Remuneration Policy

The Group has 37 employees (including Directors) as at 31 December 2012 (30 June 2012: 36). 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.

Events After the Reporting Period

Details of events after the reporting period are set in note 23 to the Interim Financial Statements.

Prospects

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.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 31 December 2012.

CORPORATE GOVERNANCE

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

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 from 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 six months ended 31 December 2012, except for the deviation from provisions 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, two of the 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.

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 four 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 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 2012.

By Order of the Board
China Outdoor Media Group Limited
Tsui Wing Cheong, Sammy
Director

Hong Kong, 28 February 2013

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. Tang Lap Chin, Richard and Mr. Lu Liang, the non-executive director of the Company is Dr. Gao Hong Xing and the independent non-executive directors of the Company are Ms. Tay Sheve Li, Mr. Cheng Sheung Hing, Mr. Cheng Kwong Choi, Alexander and Mr. Li Ning Qiao.

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.