



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 : 254

INTERIM REPORT **2009**



RESULTS

The Board of Directors of China Outdoor Media Group Limited (the "Company") hereby presents the unaudited condensed consolidated interim financial report of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2008 (the "Current Period").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

		Six months ended 31 December	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
	Note		
Turnover	4	25,169	9,601
Direct costs		(13,076)	(7,572)
Gross profit		12,093	2,029
Other income		3,981	2,083
Fair value (loss)/gain on investment property		(2,713)	12,267
Administrative and other operating expenses		(10,535)	(44,561)
Profit/(loss) from operations		2,826	(28,182)
Finance costs		(14)	(1,632)
Profit/(loss) before tax		2,812	(29,814)
Income tax expense	5	(2,614)	(5,436)
Profit/(loss) for the period	6	198	(35,250)
Attributable to:			
Equity holders of the Company		978	(35,250)
Minority interests		(780)	-
		198	(35,250)
		HK cent	HK cents
Earnings/(loss) per share:	8		
Basic		0.09	(7.56)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	23,516	14,190
Investment property	10	70,097	73,345
Goodwill		28,169	22,923
		<u>121,782</u>	<u>110,458</u>
Current assets			
Properties held for sale	11	–	5,278
Trade and other receivables	12	53,512	27,914
Bank and cash balances		3,912	7,087
		<u>57,424</u>	<u>40,279</u>
Current liabilities			
Trade and other payables	13	53,521	41,926
Borrowings	14	3,123	1,523
Current tax payable		3,965	1,314
		<u>60,609</u>	<u>44,763</u>
Net current liabilities		<u>(3,185)</u>	<u>(4,484)</u>
Total assets less current liabilities		<u>118,597</u>	<u>105,974</u>
Non-current liabilities			
Borrowings	14	1,907	–
Deferred tax		1,131	1,822
		<u>3,038</u>	<u>1,822</u>
Net assets		<u>115,559</u>	<u>104,152</u>
Capital and reserves			
Share capital	15	10,993	10,493
Reserves		105,345	93,659
Equity attributable to equity holders of the Company		<u>116,338</u>	<u>104,152</u>
Minority interests		(779)	–
Total equity		<u>115,559</u>	<u>104,152</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

	Attributable to equity holders of the Company							
	Share-based					Total	Minority interests	Total equity
	Share capital	Share premium	Share payment reserve	Exchange reserve	Accumulated losses			
(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	
At 1 July 2007	573,500	103,257	-	-	(681,342)	(4,585)	-	(4,585)
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	-	-	-	579	-	579	-	579
Loss for the period	-	-	-	-	(35,250)	(35,250)	-	(35,250)
Total recognised income and expense for the period	-	-	-	579	(35,250)	(34,671)	-	(34,671)
Recognition of equity-settled share-based payments	-	-	15,688	-	-	15,688	-	15,688
Reduction of capital pursuant to a capital reorganisation	(573,213)	573,213	-	-	-	-	-	-
Shares issued pursuant to an open offer and an arranger agreement	9,042	92,053	-	-	-	101,095	-	101,095
At 31 December 2007	9,329	768,523	15,688	579	(716,592)	77,527	-	77,527
At 1 July 2008	10,493	805,946	21,386	2,765	(736,438)	104,152	-	104,152
Exchange differences arising on translation of foreign operations and net expense recognised directly in equity	-	-	-	(392)	-	(392)	-	(392)
Profit/(loss) for the period	-	-	-	-	978	978	(780)	198
Total recognised income and expense for the period	-	-	-	(392)	978	586	(780)	(194)
Shares issued for acquisition of a subsidiary	500	11,100	-	-	-	11,600	-	11,600
Formation of non-wholly owned subsidiaries	-	-	-	-	-	-	1	1
At 31 December 2008	10,993	817,046	21,386	2,373	(735,460)	116,338	(779)	115,559

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	1,468	(44,971)
Net cash used in investing activities	(8,172)	(98)
Net cash generated from financing activities	<u>3,507</u>	<u>74,509</u>
Net (decrease)/increase in cash and cash equivalents	(3,197)	29,440
Effect of foreign exchange rate changes	22	–
Cash and cash equivalents at 1 July	<u>7,087</u>	<u>4,195</u>
Cash and cash equivalents at 31 December	<u>3,912</u>	<u>33,635</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are located at Room 2508, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) during the six months ended 31 December 2008 (the “Current Period”) were investments in properties for leasing and trading and the provision of outdoor media advertising and media related services.

The financial statements are presented in Hong Kong dollars, the functional currency of the Company.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2008 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2008 annual financial statements.

In the Current Period, 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 2008. 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 Period and prior periods.

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. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

The Group is organised into 2 major business divisions, (i) property investment and (ii) outdoor media advertising and media related services, during the Current Period while the Group was solely engaged in property investment during the six months ended 31 December 2007. The following operations are the basis on which the Group reports its primary segment information. There are no sales or other transactions between the business segments.

	Property investment		Outdoor media advertising and media related services		Total	
	Six months ended 31 December		Six months ended 31 December		Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	6,993	9,601	18,176	-	25,169	9,601
Segment results	207	2,604	7,977	-	8,184	2,604
Unallocated corporate income					1,717	12,694
Unallocated corporate expenses					(7,075)	(43,480)
Finance costs					(14)	(1,632)
Profit/(loss) before tax					2,812	(29,814)
Income tax expense					(2,614)	(5,436)
Profit/(loss) for the period					198	(35,250)

3. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). The property investment is located in the PRC and the provision of outdoor media advertising and media related services are carried out in both territories. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services.

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Hong Kong	310	–
The PRC, other than Hong Kong	24,859	9,601
	<u>25,169</u>	<u>9,601</u>

4. TURNOVER

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Sales of properties	6,993	5,582
Property rental income	–	4,019
Outdoor media advertising and media related service income	18,176	–
	<u>25,169</u>	<u>9,601</u>

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current tax:		
Hong Kong profits tax	–	1,882
PRC enterprise income tax and land appreciation tax	3,292	487
	3,292	2,369
Deferred tax	(678)	3,067
Income tax expense	2,614	5,436

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the Current Period. The amount provided for the six months ended 31 December 2007 was calculated at 17.5% based on the assessable profit for that period.

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

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

6. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation on property, plant and equipment	135	56
Loss/(gain) on disposal of property, plant and equipment	1	(54)
Employee equity-settled share-based payments	–	4,340
Other equity-settled share-based payments	–	11,348
Operating lease charges for land and buildings	1,172	391

7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Current Period (2007: Nil).

8. EARNINGS/(LOSS) PER SHARE

The basic earnings (2007: loss) per share is calculated based on the profit (2007: loss) attributable to equity holders of the Company of approximately HK\$978,000 (2007: HK\$35,250,000) and the weighted average number of 1,075,915,435 (2007: 466,057,000) shares in issue during the Current Period.

The diluted earnings per share for the Current Period has not been disclosed as there were no diluting potential shares for the Company's outstanding share options.

The diluted loss per share for the six months ended 31 December 2007 has not been disclosed as the potential shares arising from the exercise of the Company's share options would decrease the loss per share of the Company for that period and is regarded as anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

	2008 (Unaudited) HK\$'000
Net carrying amount at 1 July	14,190
Acquisition of a subsidiary	36
Additions	9,528
Disposals	(2)
Depreciation	(135)
Exchange differences	(101)
	<hr/>
Net carrying amount at 31 December	23,516

10. INVESTMENT PROPERTY

	2008 (Unaudited) HK\$'000
At 1 July	73,345
Fair value loss	(2,713)
Exchange differences	(535)
	<hr/>
At 31 December	70,097

11. PROPERTIES HELD FOR SALE

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Properties in the PRC held for sale	<hr/> —	<hr/> 5,278

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Trade receivables	11,813	5,125
Other receivables, deposits and prepayments	41,199	22,789
Due from a related company	500	–
	<u>53,512</u>	<u>27,914</u>
The ageing analysis of trade receivables is as follows:		
0–90 days	6,189	5,125
91–180 days	499	–
Over 180 days	5,125	–
	<u>11,813</u>	<u>5,125</u>

The amount due from a related company is unsecured, interest-free and has no fixed terms of repayment.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Trade payables	1,245	–
Other payables, deposits and accruals	48,715	41,926
Due to a Director	3,000	–
Due to a related company	561	–
	<u>53,521</u>	<u>41,926</u>
The ageing analysis of trade payables is as follows:		
0–90 days	1,192	–
91–180 days	53	–
	<u>1,245</u>	<u>–</u>

The amounts due to a Director and a related company are unsecured, interest-free and have no fixed terms of repayment.

14. BORROWINGS

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Unsecured loans are repayable as follows:		
– within 1 year	3,123	1,523
– after 1 year but within 5 years	1,907	–
	<u>5,030</u>	<u>1,523</u>

The loans represented borrowings from individual third parties. An amount of approximately HK\$2.1 million bears interest at prevailing market rates and the remaining balance is interest-free.

15. SHARE CAPITAL

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Authorised:		
20,000,000,000 (30 June 2008: 20,000,000,000) shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,099,285,000 (30 June 2008: 1,049,285,000) shares of HK\$0.01 each	<u>10,993</u>	<u>10,493</u>

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

	Number of shares (Unaudited) '000	Par value (Unaudited) HK\$'000
At 1 July 2008	1,049,285	10,493
Shares issued for acquisition of a subsidiary	<u>50,000</u>	<u>500</u>
At 31 December 2008	<u>1,099,285</u>	<u>10,993</u>

On 25 September 2008, 50,000,000 new shares of HK\$0.01 each were issued as part of the consideration for the acquisition of a subsidiary, L&L Partners' Limited ("L&L Partners"), as mentioned in note 16. The value of those 50,000,000 shares issued was determined by reference to the published price of each share of HK\$0.232 at the date of issue.

16. BUSINESS COMBINATION

On 25 September 2008, the Group acquired the entire issued share capital of L&L Partners', a company incorporated in the British Virgin Islands, which holds the entire registered capital of Shanghai Win Advertising Media Co., Ltd. ("Shanghai Win Media"), an enterprise established in the PRC. L&L Partners' and Shanghai Win Media are engaged in the provision of outdoor media advertising services.

The consideration for the acquisition of HK\$240,000,000 was/will be satisfied by (i) the allotment and issuance of 250,000,000 new shares of the Company, credited as fully paid, in the sum of HK\$200,000,000; and (ii) the issuance of convertible bonds, carrying no interest for a term of 5 years at a conversion price of HK\$0.8 for each new share of the Company, in the principal amount of HK\$40,000,000. Details of the acquisition are set out in a circular issued by the Company on 23 May 2008.

The first instalment of the consideration was satisfied by the Company through the allotment and issuance of 50,000,000 new shares of the Company at an issue price of HK\$0.8 per share on 25 September 2008. HKFRS 3 requires that the cost of a business combination to be measured at the fair value of the equity instruments issued by the acquirer in exchange for control of the acquiree at the date of exchange. The published price of the Company's shares at the date of exchange is HK\$0.232.

The balance of the consideration will be payable subject to certain conditions stipulated in the agreement. Since the adjustment to the cost of the business combination is contingent on future events where the Directors are unable to determine whether it is probable and the adjustment cannot be reliably measured, the possible adjustment to the cost of business combination has not been provided for.

The fair value of the identifiable assets and liabilities of L&L Partners' acquired as at the date of acquisition, which has no significant difference from the carrying amount, is as follows:

	HK\$'000
Property, plant and equipment	36
Trade and other receivables	33,390
Bank and cash balances	1,355
Trade and other payables	<u>(28,427)</u>
	6,354
Goodwill	<u>5,246</u>
Satisfied by:	
Fair value of shares issued	<u>11,600</u>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	<u>1,355</u>

16. BUSINESS COMBINATION (continued)

The goodwill arising on the acquisition of L&L Partners' is attributable to the anticipated profitability of the operations of L&L Partners' and the anticipated future operating synergies from the business combination.

L&L Partners' contributed turnover of approximately HK\$12,213,000 and profit before tax of approximately HK\$4,395,000 to the Group from the date of business combination to 31 December 2008.

If the acquisition had been completed on 1 July 2008, the Group's turnover would have been approximately HK\$29,794,000 and loss for the period would have been approximately HK\$4,593,000.

17. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities as follows:

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Possible claims arising from:		
Guarantee related to a former related company	5,000	5,000
Indemnity related to a former subsidiary (note 18(b))	6,900	7,000
	11,900	12,000

18. PENDING LITIGATIONS

At the balance sheet date, 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 (the "1st Plaintiff") demanding immediate repayment of borrowings of approximately HK\$1.6 million together with the interest thereon. As the Company had never borrowed money from the 1st Plaintiff, the Directors were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group (the "2nd Plaintiff") to clarify that the 1st Plaintiff acted as an agent of the 2nd Plaintiff. The Directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the 2nd Plaintiff has been fully accrued in the financial statements and has not yet been settled, as at 31 December 2008.

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 Plaintiffs have temporarily withheld the proceedings against the Company. This claim has not been settled up to the date of approval of these financial statements.

- (b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately RMB6.1 million was related to transactions on or before the completion date. The existing management of World Giant had indicated to the Directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts are covered by the amount accrued in the financial statements of World Giant at the time of disposal. Accordingly, in the opinion of the Directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK\$6.9 million (30 June 2008: HK\$7.0 million), has been shown as contingent liabilities in note 17.

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

18. PENDING LITIGATIONS (continued)

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

19. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancelable operating leases are payable as follows:

	As at 31 December 2008 (Unaudited) HK\$'000	As at 30 June 2008 (Audited) HK\$'000
Within 1 year	3,146	2,673
After 1 year but within 5 years	483	1,017
	<u>3,629</u>	<u>3,690</u>

20. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Referral fee income received from a related company	500	—

The related company is a company that is significantly influenced by a Director of the Company.

21. SHARE OPTIONS

Share option scheme adopted in 2002

On 25 July 2002, a share option scheme was adopted by the Company (the "2002 Share Option Scheme"), pursuant to which the Board of Directors of the Company may grant options to any employees, Directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the 5 trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not exceed 10% of the shares in issue as at the adoption date of the 2002 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Share Option Scheme in any twelve months period must not exceed 1% of the shares in issue at the date of such grant unless approved by the shareholders in general meeting.

21. SHARE OPTIONS (continued)

Details of the share options outstanding during the Current Period are as follows:

Name or category of grantees	Date of grant	Number of share options held as at 1 July 2008	Number of share options granted during the Current Period	Number of share options exercised during the Current Period	Number of share options lapsed during the Current Period	Number of share options held as at 31 December 2008	Exercise price	Exercise period
Directors								
Mr. Lu Liang	29 November 2007	3,200,000	-	-	-	3,200,000	0.64	29 November 2007 – 28 November 2017
Mr. Chan Sing Fai	29 November 2007	2,200,000	-	-	-	2,200,000	0.64	29 November 2007 – 28 November 2017
Employees								
	29 November 2007	8,850,000	-	-	-	8,850,000	0.64	29 November 2007 – 28 November 2017
	27 June 2008	4,530,000	-	-	-	4,530,000	0.64	27 June 2008 – 26 June 2018
Consultants								
	29 November 2007	39,062,700	-	-	-	39,062,700	0.64	29 November 2007 – 28 November 2017
	27 June 2008	30,970,000	-	-	-	30,970,000	0.64	27 June 2008 – 26 June 2018
		<u>88,812,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,812,700</u>		

The closing prices of the Company's shares immediately before the dates of grant on 29 November 2007 was HK\$0.64 and on 27 June 2008 was HK\$0.44.

22. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 26 November 2008, the Group entered into an agreement with an independent third party for the disposal of the entire issued share capital of First Union Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong, at a consideration of HK\$35,000,000. The disposal was approved by the shareholders at an extraordinary general meeting held on 19 January 2009 but has not been completed up to the date of approval of these financial statements. The Directors estimate that upon completion, the Group will record a loss on disposal of approximately HK\$14 million.
- (b) On 9 January 2009, the Group entered into an agreement with an independent third party in relation to the acquisition of exclusive advertising agency rights for a term of five years commencing from 9 January 2009. The Group shall be responsible to invest HK\$7,000,000 for the upgrade and improvement of the current and future network and the update of the hardware and software of the LCD TVs in the retail outlets of 廣東省郵政. Details of the exclusive advertising agency rights are set out in the Company's announcements dated 12 January 2009 and 15 January 2009.
- (c) On 16 February 2009, the Group entered into an agreement for a loan facilities of HK\$9,000,000 from a related company, Intcera High Tech Group Limited, for a period of 1 year. The interest rate is 15% per annum on the principal for any drawdown. The purpose of the loan is for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 31 December 2008, the Group's total turnover amounted to approximately HK\$25.2 million, representing an increase of 162.5% compared with the corresponding period of last year. The total revenue for the Current Period was contributed from property investment and provision of outdoor media advertising and media related services. The increase in turnover during the Current Period was mainly contributed by Fadara Limited ("Fadara") and L&L Partners' Limited ("L&L Partners'"), which the Group has acquired in January and September 2008 respectively. The principal activities of Fadara and L&L Partners' are engaged in the provision of outdoor media advertising and media related services.

In the period under review, profit attributable to equity holders of the Company was approximately HK\$1.0 million (Six months ended 31 December 2007: loss of HK\$35.3 million). The increase in profit was mainly contributed from provision of outdoor media advertising and media related services segment, the total income received/receivable from outdoor media advertising and media related services for the six months ended 31 December 2008 was approximately HK\$18.2 million (Six months ended 31 December 2007: Nil). Further there were extraordinary expenses incurred for the successful resumption of trading of the Company's shares on The Stock Exchange of Hong Kong of approximately HK\$20.4 million in the corresponding period of last year whereas no such expenses were incurred in the Current Period.

The Board of Directors does not recommend the payment of any dividend for the Current Period (Six months ended 31 December 2007: Nil).

The performance of the property investment segment and provision of outdoor media advertising and media related services segment during the Current Period is set out below:-

Property investment segment

The total turnover of property investment segment amounted to approximately HK\$7.0 million (Six months ended 31 December 2007: HK\$9.6 million), representing a decrease of 27.1% compared with the corresponding period in last year. The decrease in turnover in property investment segment was mainly attributable to the disposals of two remaining properties held for sale and the investment property located in Inner Mongolia was under re-construction during the period under review, therefore there was no rental income for the Current Period (Six months ended 31 December 2007: approximately HK\$4.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Financial Review (continued)

Provision of outdoor media advertising and media related services segment

The provision of outdoor media advertising and media related services income received/ receivable for the Current Period was approximately HK\$18.2 million (Six months ended 31 December 2007: Nil). Turnover during the Current Period was mainly contributed by Fadara and L&L Partners', which the Group has acquired in January and September 2008 respectively.

Liquidity and Financial Resources

As at 31 December 2008, the Group has net current liabilities of approximately HK\$3.2 million (30 June 2008: HK\$4.5 million) and equity attributable to equity holders of the Company of approximately HK\$116.3 million (30 June 2008: HK\$104.2 million). The increase in equity attributable to equity holders of the Company as compared with 30 June 2008 was mainly attributable to new shares of HK\$11.6 million was issued for the acquisition of L&L Partners'.

As at 31 December 2008, the Group had short-term borrowings of approximately HK\$3.1 million (30 June 2008: HK\$1.5 million) and long term borrowings of approximately HK\$1.9 million (30 June 2008: Nil). An amount of approximately HK\$2.1 million of total borrowings bears interest at prevailing market rates and the remaining balance is interest-free. The gearing ratio of the Group as at 31 December 2008, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 2.8% (30 June 2008: 1.0%).

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

Capital Structure

On 25 September 2008, the Company issued 50,000,000 new shares of HK\$0.01 each at a price of HK\$0.232 per share as part of the consideration for the acquisition of the entire issued share capital of L&L Partners'.

Significant Acquisitions

On 3 April 2008 (as supplemented on 14 April 2008), the Group entered into an agreement for the acquisition of the entire equity interest in L&L Partners' at a total consideration of HK\$240.0 million. The transaction has been approved by shareholders at an Extraordinary General Meeting held on 18 June 2008 and completed on 25 September 2008. Further details of the transaction were set out in the Company's Circular dated 23 May 2008 and announcement dated 25 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on Assets

As at 31 December 2008, there was no charge on the Group's assets.

Contingent Liabilities

Details of contingent liabilities are set in note 17 of the notes to the condensed consolidated financial statements.

Employee and Remuneration Policy

The Group has 49 employees (including Directors) as at 31 December 2008 (30 June 2008: 18). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Major Events After the Balance Sheet Date

Details of events after the balance sheet date are set in note 22 of the notes to the condensed consolidated financial statements.

Prospects

Upon completion of the disposal of First Union Limited, the Group will no longer engaged in the property investment business. The outdoor media advertising and media related business will be the core business of the Group and the Group will focus its resources in this business segment. The Directors are optimistic about the prospects of outdoor media advertising and media related business in Hong Kong and the PRC and consider that the outdoor media advertising and media related business will provide steady cash inflow with stable profit return to the Group which will make additional contribution to the Group's earnings. Therefore, the Company will continue its focus and effort to expand the Group's 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.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the Directors and their respective associated corporations had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Name of Directors	Number of shares held Personal interest	Number of underlying ordinary shares held under equity derivatives	Total	Percentage of the issued share capital*
Mr. Lau Chi Yuen, Joseph	273,581,900	0	273,581,900	24.89
Mr. Lu Liang	0	3,200,000	3,200,000	0.29
Mr. Chan Sing Fai	0	2,200,000	2,200,000	0.20

* The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2008 (i.e. 1,099,285,000).

All the interests disclosed above represent long position in the shares of the Company.

Other than the holdings disclose above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or his associates of the Company or their respective associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, Furthermore, save as disclosed in the "Share Options" section below, at no time during the six months period ended 31 December 2008 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or any other body corporate.

SHARE OPTIONS

Details of the Company's share option scheme are set out in Note 21 of the notes to the condensed consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholders	Number of ordinary shares of the Company held	
	Direct interest	Percentage of shareholding
Mr. Lau Chi Yuen, Joseph	273,581,900	24.89%
Win Today Limited	100,000,000	9.10%
Big Good Management Limited	88,800,000	8.08%

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 2008, the Company has not been notified of any other interests and short position in the shares and underlying shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' Interests and Short Position in Shares and Underlying Shares" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors, their respective spouse or children under the age of eighteen, to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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

There was no purchase, sale or redemption by the Company or its subsidiaries, of the Company's listed securities during the six months ended 31 December 2008.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

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

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

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 31 December 2008, 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 Code 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. Prior to 15 December 2007, the chairman of the Board was Mr. Ho Chi Wing. After the resignation of Mr. Ho Chi Wing on 15 December 2007, there is no specific designation of chairman in the Board. Following by the resignation of Mr. Lee Tsung Hei, David Chris as chief executive officer on 14 August 2007, Mr. Lau Chi Yuen, Joseph was appointed as the chief executive officer on 27 November 2007. In view of the simple structure of the Company, all significant decision making is carried out by all Executive Directors of the Company under the leadership of the chief executive officer. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives effectively and efficiently in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") 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 set out in the Model Code during the six months ended 31 December 2008.

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

Hong Kong, 26 March 2009

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