



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
2011



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 2010 (the “Current Period”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2010

		Six months ended 31 December	
	Note	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Continuing operations			
Turnover	5	20,530	7,526
Direct costs		(8,375)	(4,048)
Gross profit		12,155	3,478
Other income		64	6,159
Administrative and other operating expenses		(16,173)	(9,274)
(Loss)/profit from operations		(3,954)	363
Finance costs	6	(16,502)	(393)
Share of losses of associates		–	(644)
Loss before tax		(20,456)	(674)
Income tax expense	7	(740)	(492)
Loss for the period from continuing operations		(21,196)	(1,166)
Discontinued operations			
Profit for the period from discontinued operations		–	8,238
(Loss)/profit for the period	8	(21,196)	7,072
Attributable to:			
Owners of the Company		(17,686)	8,131
Non-controlling interests		(3,510)	(1,059)
		(21,196)	7,072
		HK cent	HK cent
(Loss)/earnings per share			
From continuing and discontinued operations			
– Basic	10(a)	(1.19)	0.72
– Diluted	10	N/A	N/A
From continuing operations			
– Basic	10(b)	(1.19)	(0.08)
– Diluted	10	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010

	Six months ended 31 December	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	(21,196)	7,072
Other comprehensive income for the period, net of tax:		
Exchange differences on translating foreign operations	850	54
Total comprehensive (loss)/income for the period	(20,346)	7,126
Attributable to:		
Owners of the Company	(16,836)	8,185
Non-controlling interests	(3,510)	(1,059)
	(20,346)	7,126

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	1,511	753
Club membership		150	150
Goodwill	12	1,252,228	5,245
Investments in associates		–	–
		1,253,889	6,148
Current assets			
Trade and other receivables	13	81,344	77,137
Bank and cash balances		10,344	10,733
		91,688	87,870
Current liabilities			
Trade and other payables	14	11,947	14,303
Borrowings	15	2,401	1,695
Finance lease payables	16	151	–
Current tax liabilities		2,959	2,320
		17,458	18,318
Net current assets		74,230	69,552
Total assets less current liabilities		1,328,119	75,700
Non-current liabilities			
Finance lease payables	16	250	–
Convertible notes	17	967,923	9,912
		968,173	9,912
NET ASSETS		359,946	65,788
Capital and reserves			
Share capital	18	17,643	11,493
Reserves		345,331	55,660
Equity attributable to owners of the Company		362,974	67,153
Non-controlling interests		(3,028)	(1,365)
TOTAL EQUITY		359,946	65,788

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010

(Unaudited)

	Attributable to owners of the Company									
	Share capital	Share premium	Share-based payment reserve	Warrants reserve	Convertible notes equity reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2009	10,993	817,046	21,386	525	-	(23)	(783,374)	66,553	(3,019)	63,534
Total comprehensive income for the period	-	-	-	-	-	54	8,131	8,185	(1,059)	7,126
Shares issued upon exercise of warrants	500	9,625	-	(125)	-	-	-	10,000	-	10,000
Share options lapsed during the period	-	-	(866)	-	-	-	866	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	2,955	2,955
Changes in equity for the period	500	9,625	(866)	(125)	-	54	8,997	18,185	1,896	20,081
At 31 December 2009	11,493	826,671	20,520	400	-	31	(774,377)	84,738	(1,123)	83,615
At 1 July 2010	11,493	826,671	20,446	600	27	382	(792,466)	67,153	(1,365)	65,788
Total comprehensive loss for the period	-	-	-	-	-	850	(17,686)	(16,836)	(3,510)	(20,346)
Shares issued for acquisition of a subsidiary (note 19)	1,000	21,300	-	-	-	-	-	22,300	-	22,300
Share issued upon exercise of warrants	150	2,888	-	(38)	-	-	-	3,000	-	3,000
Equity component of convertible notes (note 17)	-	-	-	-	234,344	-	-	234,344	-	234,344
Share issued upon conversion of convertible notes (note 17)	5,000	60,408	-	-	(12,395)	-	-	53,013	-	53,013
Share options lapsed during the period	-	-	(73)	-	-	-	73	-	-	-
Acquisition of a subsidiary (note 19)	-	-	-	-	-	-	-	-	1,847	1,847
Changes in equity for the period	6,150	84,596	(73)	(38)	221,949	850	(17,613)	295,821	(1,663)	294,158
At 31 December 2010	17,643	911,267	20,373	562	221,976	1,232	(810,079)	362,974	(3,028)	359,946

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(9,164)	(11,709)
Purchases of property, plant and equipment	(12)	(141)
Net cash inflow arising on acquisition of a subsidiary (note 19)	4,232	–
Net cash outflow arising on disposal of subsidiaries	–	(1,016)
Other investing cash flows, net	–	646
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	4,220	(511)
Borrowings raised	878	781
Repayment of borrowings	(172)	(277)
Repayment of finance lease payables	(51)	–
Proceeds from issue of shares	3,000	10,000
NET CASH FROM FINANCING ACTIVITIES	3,655	10,504
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,289)	(1,716)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,733	4,547
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	900	2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,344	2,833
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	10,344	2,833

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2010

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. 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 is an investment holding company. The principal activities of its subsidiaries during the Current Period were the provision of outdoor media advertising and media related services.

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2010 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2010 except as stated below.

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

In the Current Period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the Current Period and prior years, other than as further explained below regarding the impact of HKFRS 3 (Revised).

HKFRS 3 (Revised) "Business Combinations" introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount if goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

The changes introduced by this revised standards is applied prospectively and affect the accounting of acquisitions and transactions with non-controlling interest after 1 July 2010.

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

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Media and advertising – PRC	–	Provision of media and advertising services in the People's Republic of China (the "PRC")
Television advertising – Hong Kong	–	Provision of television advertising services in Hong Kong (discontinued operation)
Media related	–	Provision of media related services

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

Segment profits or losses do not include other income, finance costs, impairment of goodwill, income tax expense and corporate administrative and other operating expenses. Segment assets do not include club membership, goodwill and other assets for general administrative use.

	Media and advertising – PRC HK\$'000 (unaudited)	Media related HK\$'000 (unaudited)	Total continuing operations HK\$'000 (unaudited)	Television advertising – Hong Kong HK\$'000 (unaudited)	Total discontinued operations HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 31 December 2010:						
Revenue from external customers	20,474	56	20,530	–	–	20,530
Segment profit/(loss)	10,998	(346)	10,652	–	–	10,652
As at 31 December 2010:						
Segment assets	<u>50,983</u>	<u>101</u>	<u>51,084</u>	<u>–</u>	<u>–</u>	<u>51,084</u>
Six months ended 31 December 2009:						
Revenue from external customers	7,526	–	7,526	1,403	1,403	8,929
Segment profit/(loss)	2,539	–	2,539	(1,186)	(1,186)	1,353
As at 30 June 2010:						
Segment assets	<u>35,081</u>	<u>–</u>	<u>35,081</u>	<u>–</u>	<u>–</u>	<u>35,081</u>

4. SEGMENT INFORMATION (continued)

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Reconciliation of segment profit or loss:		
Total profit or loss of reportable segments	10,652	1,353
Other profit or loss	(31,848)	(3,702)
Gain on disposal of subsidiaries	—	9,421
Elimination of discontinued operations	—	(8,238)
	<hr/>	<hr/>
Consolidated loss for the period from continuing operations	(21,196)	(1,166)
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	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Reconciliation of segment assets:		
Total assets of reportable segments	51,084	35,081
Goodwill	1,252,228	5,245
Club membership	150	150
Other assets	42,115	53,542
	<hr/>	<hr/>
Consolidated total assets	1,345,577	94,018
	<hr/>	<hr/>

5. TURNOVER

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Outdoor media advertising and media related service income	20,530	8,929
Representing:		
Continuing operations	20,530	7,526
Discontinued operations (note 20)	–	1,403
	20,530	8,929

6. FINANCE COSTS

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Bank charges	10	10
Interest on convertible notes	16,478	–
Finance lease charges	4	–
Interest on other loans and advances	10	384
	16,502	394
Representing:		
Continuing operations	16,502	393
Discontinued operations (note 20)	–	1
	16,502	394

7. INCOME TAX EXPENSE

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax		
Underprovision in prior years	80	–
Current tax – PRC Enterprise Income Tax		
Provision for the period	660	492
	740	492
Representing:		
Continuing operations	740	492
Discontinued operations (note 20)	–	–
	740	492

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong for the Current Period (2009: Nil).

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

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 31 December					
	Continuing operations		Discontinued operations		Total	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest income	-	(1,151)	-	-	-	(1,151)
Depreciation	184	83	-	99	184	182
Directors' remuneration	249	329	-	-	249	329
Gain on disposal of property, plant and equipment	61	-	-	-	61	-
Operating lease charges in respect of land and buildings	923	1,193	-	75	923	1,268

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Current Period (2009: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic loss (2009: earnings) 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\$17,686,000 (2009: profit of HK\$8,131,000) and the weighted average number of ordinary shares of 1,487,083,913 (2009: 1,127,654,565) in issue during the Current Period.

(b) From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately HK\$17,686,000 (2009: HK\$882,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinuing operations.

10. (LOSS)/EARNINGS PER SHARE (continued)

(c) From discontinued operations

Basic earnings per share from the discontinued operations for the six months ended 31 December 2009 is HK0.80 cent, based on the profit from discontinued operations attributable to the owners of the Company of approximately HK\$9,013,000 and the denominator used is the same as that detailed above for basic earnings per share from continuing and discontinued operations.

The effect of all potential ordinary shares are anti-dilutive for the periods ended 31 December 2010 and 2009. No diluted loss per share were disclosed.

11. PROPERTY, PLANT AND EQUIPMENT

During the Current Period, the Group acquired property, plant and equipment of approximately HK\$1,031,000 which includes approximately HK\$624,000 of property, plant and equipment was purchased under finance lease.

At 31 December 2010, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to approximately HK\$572,000 (30 June 2010: Nil).

12. GOODWILL

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Cost		
At beginning of the period/year	28,168	28,168
Acquisition of subsidiaries (note 19)	1,246,983	–
At end of the period/year	1,275,151	28,168
Accumulated impairment loss		
At beginning and end of the period/year	22,923	22,923
At end of the period/year	1,252,228	5,245
At beginning of the period/year	5,245	5,245

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Trade receivables	1,448	2,693
Prepayments, deposits and other receivables (note (a))	79,684	74,444
Due from a related company (note (b))	212	–
	81,344	77,137

Notes:

- (a) Included consideration receivable for the disposal of First Union Limited (“First Union”) of approximately HK\$26,000,000 due from an independent third party. The amount is unsecured, interest-free and receivable on or before 30 June 2011.
- (b) The amount due from a related company is unsecured, interest free and has no fixed terms of repayment.

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

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

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Within 30 days	742	1,991
31 – 60 days	235	606
61 – 90 days	471	96
	1,448	2,693

14. TRADE AND OTHER PAYABLES

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Trade payables	60	290
Other payables	11,887	14,013
	11,947	14,303

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

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

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Within 30 days	60	67
31 – 60 days	–	–
61 – 90 days	–	79
91 – 365 days	–	–
Over 365 days	–	144
	60	290

15. BORROWINGS

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Other loans	2,401	1,695

The other loans are unsecured, interest bearing at floating rates and repayable within one year.

16. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Within one year	161	–	151	–
In the second to fifth years, inclusive	269	–	250	–
Less: Future finance charges	430 (29)	–	401 –	–
Present value of lease obligations	401	–	401	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(151)	–
Amount due for settlement after 12 months			250	–

The Group leases a motor vehicle under finance lease. The lease term is three years. The effective borrowing rate was 2.4% per annum.

17. CONVERTIBLE NOTES

(a) CB Feb 2010

On 26 February 2010, the Company issued convertible 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.

(b) Restated CB Jul 2010

On 22 July 2010, the Company issued convertible 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"), as mentioned in note 19 below. 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 by 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.

If Restated CB Jul 2010 have not been converted, they will be redeemed at par on 21 July 2015. Restated CB Jul 2010 are non-interest bearing.

17. CONVERTIBLE NOTES (continued)

The movements of the liability component and equity component of the CB Feb 2010 and Restated CB Jul 2010 during the period are set out as follows:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
Issue of CB Feb 2010	9,773	27	9,800
Interest charged	<u>139</u>	<u>–</u>	<u>139</u>
At 30 June 2010 and 1 July 2010	9,912	27	9,939
Issue of CB Jul 2010	994,546	234,344	1,228,890
Interest charged	16,478	–	16,478
Conversion of Restated CB Jul 2010 (note 18(c))	<u>(53,013)</u>	<u>(12,395)</u>	<u>(65,408)</u>
At 31 December 2010	<u>967,923</u>	<u>221,976</u>	<u>1,189,899</u>

The interest charged for the period is calculated by applying an effective interest rate of 4.15% per annum to the liability component of CB Feb 2010 for the 6 months period since the beginning of Current Period, and an effective interest rate of 3.73% per annum to the liability component of Restated CB Jul 2010 for the 5 months period since CB Jul 2010 were issued.

18. SHARE CAPITAL

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (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: 1,764,285,000 (30 June 2010: 1,149,285,000) ordinary shares of HK\$0.01 each	<u>17,643</u>	<u>11,493</u>

18. SHARE CAPITAL (continued)

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

	Note	Number of shares '000	Par value HK\$'000
At 1 July 2010		1,149,285	11,493
Shares issued for acquisition of a subsidiary	(a)	100,000	1,000
Exercise of warrants	(b)	15,000	150
Shares issued upon conversion of Restated CB Jul 2010	(c)	<u>500,000</u>	<u>5,000</u>
At 31 December 2010		<u>1,764,285</u>	<u>17,643</u>

Note:

- (a) On 22 July 2010, 100,000,000 new shares of HK\$0.01 each were issued as part of the consideration for the acquisition of a subsidiary, GMG Media, as mentioned in note 19 below. The value of those 100,000,000 shares issued was determined by referred to the market price of each share of HK\$0.223 at the date of issue.
- (b) During the Current Period, the subscription rights attaching to 15,000,000 warrants were exercised at the subscription price of HK\$0.20 per share, resulting in the issue of 15,000,000 ordinary shares of HK\$0.01 each for a total cash consideration of approximately HK\$3,000,000.
- (c) On 7 October 2010, 500,000,000 new shares of HK\$0.01 each were issued for the conversion of 65,000,000 Restated CB Jul 2010.

19. ACQUISITION OF A SUBSIDIARY

On 22 July 2010, the Group acquired the entire issued share capital of GMG Media at a consideration of HK\$1,241,890,000, satisfied by (i) the issue and allotment of 100,000,000 new shares of the Company, credited as fully paid, in the sum of HK\$13,000,000; and (ii) the issuance of 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. GMG Media was principally engaged in investment holding, with its subsidiaries engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC.

19. ACQUISITION OF A SUBSIDIARY (continued)

The fair value of the identifiable assets and liabilities of GMG Media acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK\$'000
Net assets acquired:	
Property, plant and equipment	407
Prepayments, deposits and other receivables	1,621
Bank and cash balances	4,232
Accruals and other payables	(206)
	<hr/>
Net assets at the date of acquisition	6,054
Non-controlling interests	(1,847)
	<hr/>
Net assets acquired	4,207
Goodwill	1,246,983
	<hr/>
	1,251,190
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Satisfied by:	
Fair value of shares issued (note 18(a))	22,300
Fair value of CB Jul 2010 issued	1,228,890
	<hr/>
	1,251,190
	<hr/>
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	4,232
	<hr/>
	4,232
	<hr/>

19. ACQUISITION OF A SUBSIDIARY (continued)

The goodwill arising on the acquisition of GMG Media is attributable to the anticipated profitability of the expansion of Group's operation and income base in the new markets and the anticipated future operating synergies from the combination.

No contribution of turnover or profit from GMG Media was recorded for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 July 2010, total Group turnover and loss for the Current Period would remain unchanged. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2010, nor is intended to be a projection of future results.

20. 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 Post E-Commerce (Holdings) Limited, China New Media disposed of 4% interest in a subsidiary, iKanTV Limited ("iKanTV") at a consideration of approximately HK\$9,200,000. The Group recorded a gain of approximately HK\$9,421,000.

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

21. CONTINGENT LIABILITIES

Financial guarantees issued

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

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Possible claims arising from:		
Guarantee related to a former related company (note (a))	5,000	5,000
Indemnity related to a former subsidiary (note 22(b))	7,180	7,015
	12,180	12,015

Note:

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

22. 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 were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group to clarify that the individual third party acted as an agent of the lender. The Directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the lender together with interest and penalty totalling approximately HK\$2,672,000 has been accrued in the financial statements and has not yet been settled as at 31 December 2010.

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

22. PENDING LITIGATIONS (continued)

- (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 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 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\$7,180,000 (30 June 2010: HK\$7,015,000), has been shown as contingent liabilities in note 21.

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.

23. OPERATING LEASE COMMITMENTS

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Within one year	4,146	4,922
In the second to fifth years inclusive	<u>1,685</u>	<u>3,165</u>
	<u>5,831</u>	<u>8,087</u>

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

24. CAPITAL COMMITMENTS

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

	As at 31 December 2010 HK\$'000 (unaudited)	As at 30 June 2010 HK\$'000 (audited)
Contracted but not provided for:		
Acquisition of a subsidiary	<u>—</u>	<u>1,241,890</u>

25. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest income received from an associate	–	253
Advertising expenses paid to an associate	1,977	–
Advertising income received from an associate	56	–
Consultancy fee paid to a related company (note (a))	396	–
Advertising expense paid to a related company (note (b))	588	–
Interest expense paid to a related company (note (b))	–	340
Proceeds from disposal of a subsidiary from a related company (note (b))	–	9,200
	–	9,200

Note:

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

26. 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.

26. SHARE OPTIONS (continued)

Share option scheme adopted in 2002 (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 outstanding as at 1 July 2010	Number of share options lapsed during the Current Period	Number of share options outstanding as at 31 December 2010	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. Tang Lap Chin, Richard	29 November 2007	8,403,175	–	8,403,175	0.64	29 November 2007 – 28 November 2017
Employees	29 November 2007	6,150,000	(250,000)	5,900,000	0.64	29 November 2007 – 28 November 2017
	27 June 2008	4,070,000	–	4,070,000	0.64	27 June 2008 – 26 June 2018
Consultants	29 November 2007	32,859,525	–	32,859,525	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>85,652,700</u>	<u>(250,000)</u>	<u>85,402,700</u>		

The closing prices of the Company's shares immediately before the dates of grant on 29 November 2007 and 27 June 2008 were HK\$0.64 and HK\$0.44 respectively. No share options had been granted or exercised during the Current Period.

27. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2011, 25 January 2011 and 31 January 2011, the holder of Restated CB Jul 2010 exercised the conversion right to convert the Restated CB Jul 2010 in the principal amount of totally HK\$33,800,000 into 260,000,000 new ordinary shares of the Company.

28. SEASONALITY

The Group considers that the turnover from provision of outdoor media advertising and media related services are not subject to material seasonal fluctuations.

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Acquisitions

On 4 December 2009, the Group entered into an agreement with Fully Wealthy Inc. (the "Bondholder"), an independent third party, for acquisition of the entire issued share capital of GMG Media Group Limited ("GMG Media"), a company incorporated in the British Virgin Islands. GMG Media was principally engaged in investment holding, with its subsidiaries engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC. The consideration of the acquisition of approximately HK\$1,241.9 million was satisfied by (i) the allotment and issuance of 100.0 million new shares of the Company, credited as fully paid, in the sum of HK\$13.0 million; and (ii) the issuance of convertible notes, carrying no interest for a term of 5 years at a conversion price of HK\$0.13 for each new share of the Company, in the principal amount of HK\$1,228.9 million ("CB Jul 2010").

The conditions under the agreement was fulfilled and the acquisition had been completed on 22 July 2010. The consideration was satisfied by the Company through allotment and issuance of 100.0 million new shares of the Company and issuance of 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 ("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.

Apart from the acquisition of GMG Media, the Group had no material acquisition or disposal of subsidiaries during the six months ended 31 December 2010 (the "Current Period").

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Connected Transactions

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

(a) Advertising Services Income

During the Current Period, China New Media (Hong Kong) Company Limited has received advertising services income of approximately HK\$0.1 million from an associate, iKanTV Limited (“iKanTV”), which is also a non-wholly owned subsidiary of a related company, China Post E-Commerce (Holdings) Limited (“CPEC”).

(b) Advertising Expenses

During the Current Period, the Company has paid advertising expenses of approximately HK\$2.0 million to iKanTV.

(c) Marketing Expenses

During the Current Period, the Company had paid marketing expenses of approximately HK\$0.6 million to CPEC.

(d) Change of Terms of Convertible Notes

On 13 August 2010, the Company and the Bondholder entered into the Deed to alter and restate the terms of 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Connected Transactions (continued)

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

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

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

Business and Financial Review

For the Current Period, loss attributable to owners of the Company was approximately HK\$17.7 million (2009: profit of HK\$8.1 million). Despite the Group recorded a continuing growth in revenue and gross profit, which amount to approximately HK\$20.5 million and HK\$12.2 million respectively during the Current Period (2009: HK\$8.9 million and HK\$4.1 million respectively), the decline was mainly attributable to (1) the increase in advertising and marketing expenses of approximately HK\$5.8 million (2009: HK\$0.1 million). (2) the substantial imputed interest expenses of approximately HK\$16.3 million on the Restated CB Jul 2010 (2009: HK\$Nil). (3) there was no bad debt recovery for the Current Period (2009: HK\$4.9 million). and (4) there was no gain on disposal of subsidiaries for the Current Period (2009: gain of HK\$9.4 million).

The Board of Directors does not recommend the payment of any dividend for the Current Period (2009: Nil).

For the Current Period, the Group's total turnover amounted to approximately HK\$20.5 million and gross profit of HK\$12.2 million respectively (2009: HK\$8.9 million and HK\$4.1 million respectively), representing an increase of 129.9% and 199.5% respectively compared with the corresponding period of last year. Details of the increase in turnover and gross profit are discussed as below:

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Financial Review (continued)

Media and advertising – PRC segment

The turnover derived from operating segment of media and advertising – PRC was approximately HK\$20.5 million (2009: HK\$7.5 million) which represented an increase of 172.8% comparing to the corresponding period of last year and the gross profit ratio was 59.4% (2009: approximately 46.3%) which represented an increase of 28.3% comparing to the corresponding period of last year. The increase in the turnover of this operating segment was mainly due to the impact of The World Exposition 2010 which is held in the city of Shanghai in 2010 and has brought many new business opportunity to the Group. In addition, the Group has successfully bargained with several billboards contractors for a better price and prime billboard locations during the Current Period, as a result, the turnover and gross profit for the Current Period increased significantly.

Media related segment

The turnover derived from the operating segment of media related was HK\$0.1 million during the Current Period (2009: HK\$Nil).

Television advertising – Hong Kong segment (discontinued operation)

The Group did not have turnover from the operating segment of television advertising – Hong Kong during the Current Period as it had been disposed by the Group in September 2009 (2009: HK\$1.4 million).

Liquidity and Financial Resources

As at 31 December 2010, the Group has net current assets of approximately HK\$74.2 million (30 June 2010: HK\$69.6 million) and equity attributable to owners of the Company of approximately HK\$363.0 million (30 June 2010: HK\$67.2 million). The increase in equity attributable to owners of the Company as compared with 30 June 2010 was mainly attributable to the issuance of 100.0 million new shares of the Company, credited as fully paid, in the sum of approximately HK\$22.3 million and the issuance of CB Jul 2010. During the Current Period, 500.0 million Restated CB Jul 2010 had been converted, credited as fully paid, in the sum of approximately HK\$53.0 million. In addition, 15.0 million warrants were exercised at the subscription price of HK\$0.2 per share, resulting in the issue of 15.0 million ordinary shares of HK\$0.01 each for a total consideration of approximately HK\$3.0 million. All the subscribed ordinary shares were issued and fully paid.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resources (continued)

As at 31 December 2010, the Group had short term borrowings of approximately HK\$2.6 million (30 June 2010: HK\$1.7 million) and had long term borrowings of approximately HK\$968.2 million (30 June 2010: HK\$9.9 million). The increase in long term borrowing was primarily attributable to the liability component of Restated CB Jul 2010 of approximately HK\$957.8 million during the Current Period. The short term borrowings bear interest at prevailing market rates. The gearing ratio of the Group as at 31 December 2010, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 72.1% (30 June 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.

Capital Structure

On 22 July 2010, 100.0 million new shares of the Company, 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 and 20 October 2010, a total of 15.0 million warrants were exercised by the warrant holders for the issuance of 15.0 million ordinary shares of the Company at HK\$0.2 per share. All the subscribed ordinary shares were issued and fully paid.

On 7 October 2010, 500.0 million new shares of the Company, credited as fully paid, in the sum of HK\$53.0 million had been issued upon the conversion of Restated CB Jul 2010.

Charge on Assets

As at 31 December 2010, the Group has pledged property, plant and equipment of approximately HK\$0.6 million to secure the finance lease payables of approximately HK\$0.5 million.

Contingent Liabilities

Details of contingent liabilities are set in note 21 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employee and Remuneration Policy

The Group has 25 employees (including Directors) as at 31 December 2010 (30 June 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.

Major Events After the Reporting Period

Details of events after the reporting period are set in note 27 to the condensed consolidated 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.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, the Directors and their respective associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) had interests in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the 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	–	273,581,900	15.51%
Mr. Lu Liang	–	3,200,000	3,200,000	0.18%
Mr. Tang Lap Chin, Richard	–	8,403,175	8,403,175	0.48%

* The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 31 December 2010 (i.e. 1,764,285,000).

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES (continued)

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 which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited 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 2010 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 26 to the condensed consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following interests 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	15.51%
Fully Wealthy Inc.	500,000,000	28.34%

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

Save as disclosed above, as at 31 December 2010, 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 Current 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 2010.

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 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 processes 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 2010, except for the deviation from provisions A.4.1 and A.2.1 of the Code.

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

CORPORATE GOVERNANCE (continued)

Compliance with the Code on Corporate Governance Practices of the Listing Rules (continued)

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

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2010.

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

Hong Kong, 25 February 2011

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