

# Focus Media Network Limited

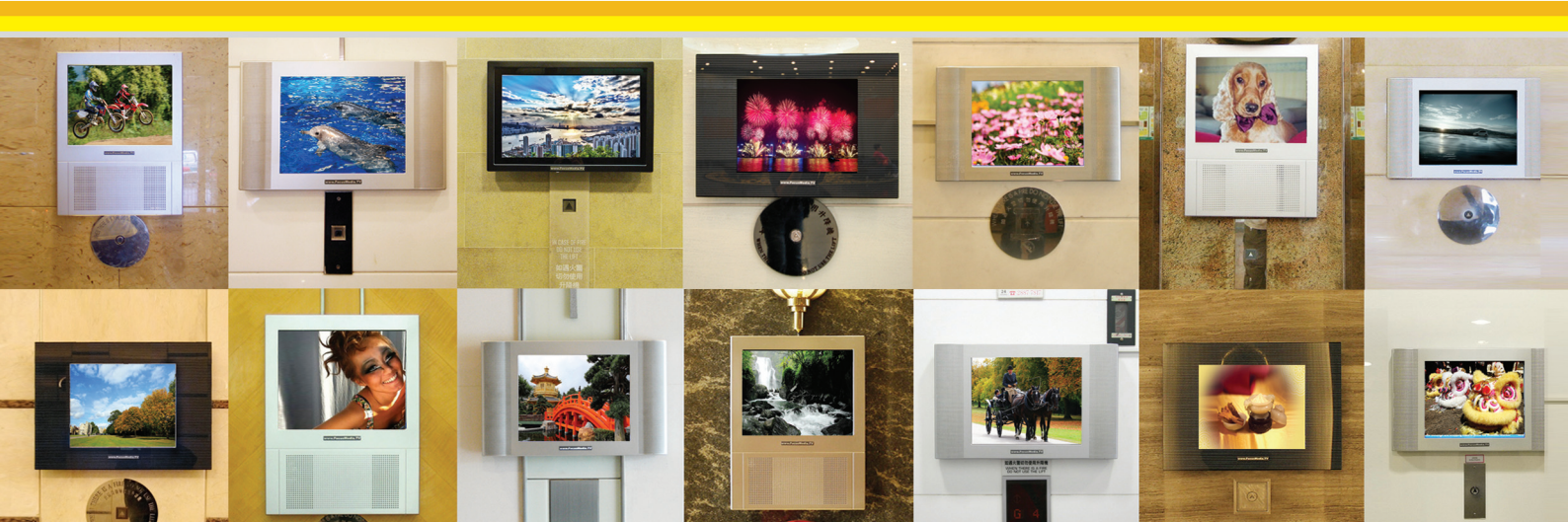
(Incorporated in the Cayman Islands with limited liability)

Stock Code :

**8112**



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*This report, for which the directors (the “Directors”) of Focus Media Network Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Our Group is a well-established digital OOH media company in Hong Kong and Singapore, with an operating history since April 2004. We had pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisement. In terms of the number of venues, our Group is the largest digital OOH media company that has created a sizeable network in elevator lobbies of office and commercial buildings in Hong Kong and Singapore.

On 28 July 2011, the Group was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

### Digital Out-of-Home Networks

Region	Network	Nine months ended	Nine months ended	% Increase
		30 September 2011	30 September 2010	
Hong Kong	Office and Commercial Network	541	482	12%
Hong Kong	In-store Network	200	100	100%
Singapore	Office and Commercial Network	313	265	18%
Singapore	HDB Shopping Centres	21	21	n/a
Singapore	In-store Network	50	—	n/a
Total number of Venues		1,125	868	30%

## FINANCIAL REVIEW

The Group's turnover for the nine months ended 30 September 2011 was approximately HK\$31.2 million, representing an increase of approximately 26% over the corresponding period of the previous year. The increase in the Group's turnover was due to higher revenue generated on the back of an expanded network and sponsorship events during the period. The Group has consistently achieved double-digit revenue growth for all the three quarters of 2011 over the corresponding period of 2010.

Gross profit for the nine months ended 30 September 2011 increased by approximately HK\$3.7 million to approximately HK\$23.7 million from approximately HK\$20 million for the nine months ended 30 September 2010, representing an increase of approximately 18% over the corresponding period of the previous year. Gross profit margin decreased by 6% to 76% from 81%, due to higher cost-of-sales associated with sponsorship events. The gross profit margin for the nine months ended 30 September 2011 increased marginally over the six months ended 30 June 2011.

## FINANCIAL REVIEW (CONTINUED)

The Group's total operating expenses for the nine months ended 30 September 2011 were approximately HK\$28 million, representing an increase of approximately 47% from approximately HK\$19 million for the corresponding period of the previous year, due to the following:

- (1) increase in headcounts and related payroll costs and office premise rentals as the Group invests to hire and retain the best talents;
- (2) cost associated with the Group's network expansion and increased capital expenditure as the Group invests to expand its digital networks;
- (3) increase in operating cost as a publicly-traded company, including professional parties fees;
- (4) IPO expenses;
- (5) expense of pre-IPO Staff Options; and
- (6) marketing expenses as the Group ramps up investments in marketing to advertisers, real-estate developers and investors.

*Note:* items 4–6 amounted to approximately HK\$6.3 million relate to one-time expense due to the Group's Listing and its efforts to rapidly ramp up investments in marketing immediately following its Listing.

The Group's negative EBITDA (Note 1) amounted to approximately HK\$0.6 million for the nine months ended 30 September 2011 as compared to positive EBITDA of approximately HK\$2.5 million for the corresponding period of the previous year.

For the reporting period, the Group recorded a loss attributable to shareholders of the Company of approximately HK\$4.2 million as compared to a net profit attributable to shareholders of the Company of approximately HK\$1.1 million for the nine months ended 30 September 2010.

*Note 1:* EBITDA represents earnings before finance costs, income tax, stock-based compensation, depreciation of property, plant and equipment, and amortization of intangible assets. While EBITDA is commonly used in the advertising and media industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

## FINANCIAL REVIEW (CONTINUED)

### **Dividend**

The Board does not recommend the payment of dividend for the nine months ended 30 September 2011 (2010: Nil).

### **Information on employees**

As at 30 September 2011, the Group had 63 employees (31 December 2010: 53), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately HK\$13.1 million for the nine months ended 30 September 2011 as compared to approximately HK\$10.6 million for the nine months ended 30 September 2010. Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.

### **Significant investments held**

Except for investment in subsidiaries, during the nine months ended 30 September 2011, the Group did not hold any significant investment in equity interest in any company.

### **Future Plans for Material Investments and Capital Assets**

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

During the nine months ended 30 September 2011, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### **Charges of assets**

As at 30 September 2011, the Group did not have any charges on its assets (31 December 2010: Nil).

### **Contingent liabilities**

The Group had no material contingent liabilities as at 30 September 2011 (31 December 2010: Nil).

## HIGHLIGHTS

- The Group's turnover for the nine months ended 30 September 2011 was approximately HK\$31.2 million, representing an increase of approximately 26% over the corresponding period of the previous year, because of higher revenue generated on the back of an expanded network and sponsorship events during the period. The Group has consistently achieved double-digit revenue growth for all the three quarters of 2011 over the corresponding period of 2010.
- The Group's gross profit for the nine months ended 30 September 2011 increased by approximately HK\$3.7 million to approximately HK\$23.7 million from approximately HK\$20.0 million for the nine months ended 30 September 2010, representing an increase of approximately 18% over the corresponding period of the previous year.
- The Group recorded a loss attributable to shareholders of the Company of approximately HK\$4.2 million for the nine months ended 30 September 2011 as compared to a net profit of approximately HK\$1.1 million over the corresponding period of the previous year. (Loss of approximately HK\$4.2 million includes approximately HK\$6.3 million of one-time expense due to the Group's Listing and its efforts to rapidly ramp up investments in marketing immediately following its Listing.)
- Loss per share for the nine months ended 30 September 2011 was HK\$1.58 cents.
- The Board does not recommend the payment of an interim dividend for the period.

## UNAUDITED THIRD QUARTERLY RESULTS

The board (the "Board") of directors (the "Directors") of Focus Media Network Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30 September 2011 together with comparative unaudited figures for the corresponding periods ended 30 September 2010, as follows.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2011

	Three months ended 30 September		Nine months ended 30 September		
	Notes	2011 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2011 HK\$ (Unaudited)	2010 HK\$ (Unaudited)
<b>Revenue</b>		<b>10,484,004</b>	9,400,134	<b>31,165,022</b>	24,682,833
Cost of sales		<b>(2,434,493)</b>	(1,877,511)	<b>(7,428,212)</b>	(4,638,788)
<b>Gross profit</b>		<b>8,049,511</b>	7,522,623	<b>23,736,810</b>	20,044,045
Other income		<b>113,697</b>	23,704	<b>157,444</b>	144,487
Administrative expenses		<b>(12,909,549)</b>	(7,135,834)	<b>(28,032,220)</b>	(19,051,699)
<b>Operating (loss)/profit</b>		<b>(4,746,341)</b>	410,493	<b>(4,137,966)</b>	1,136,833
Finance costs		<b>(27,918)</b>	—	<b>(53,363)</b>	(13,172)
<b>(Loss)/profit before income tax</b>		<b>(4,774,259)</b>	410,493	<b>(4,191,329)</b>	1,123,661
Income tax expense	3	—	—	—	—
<b>(Loss)/profit for the period</b>		<b>(4,774,259)</b>	410,493	<b>(4,191,329)</b>	1,123,661
<b>Other comprehensive loss for the period, net of tax</b>					
Currency translation differences		—	—	<b>(4,046)</b>	(45,175)
<b>Total comprehensive (loss)/income for the period attributable to equity holders of the Company</b>		<b>(4,774,259)</b>	410,493	<b>(4,195,375)</b>	1,078,486
<b>(Loss)/earnings per share for profit attributable to equity holders of the Company</b>					
— Basic and diluted	5	<b>(1.8) cents</b>	0.17 cents	<b>(1.58) cents</b>	0.46 cents



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Capital reserves	Exchange reserves	Accumulated losses	Total
	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 January 2010</b>	<b>35,633,564</b>	<b>(1,194,519)</b>	<b>(23,418,065)</b>	<b>11,020,980</b>
Profit for the period	—	—	1,123,661	1,123,661
Other comprehensive loss				
— Currency translation differences	—	(45,175)	—	(45,175)
Contribution from equity holders	20,145,389	—	—	20,145,389
<b>Balance at 30 September 2010</b>	<b>55,778,953</b>	<b>(1,239,694)</b>	<b>(22,294,404)</b>	<b>32,244,855</b>
<b>Balance at 31 December 2010 and 1 January 2011</b>	55,778,953	(369,512)	(11,670,888)	43,738,553
<b>Changes in equity for the nine months ended 30 September 2011</b>				
Loss for the period	—	—	(4,191,329)	(4,191,329)
Issue of shares, net of expenses	42,681,231	—	—	42,681,231
Contribution by equity owner to settle derivative liability	2,697,135	—	—	2,697,135
Share option expenses	1,436,167	—	—	1,436,167
Other comprehensive loss				
— Currency translation differences	—	(4,046)	—	(4,046)
<b>Balance at 30 September 2011</b>	<b>102,593,486</b>	<b>(373,558)</b>	<b>(15,862,217)</b>	<b>86,357,711</b>

# NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2011

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited since 28 July 2011.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated third quarterly financial information has been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules. The accounting policies adopted in preparing the unaudited condensed consolidated third quarterly financial information were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 December 2010. These unaudited condensed consolidated third quarterly financial information are presented in Hong Kong dollars and all values are, unless otherwise stated.

## 3. TAXATION

No provision for Hong Kong and Singapore profits tax has been made as the Group's tax losses brought forward from previous years exceed the estimated assessable profits for the nine months ended 30 September 2011 and 2010. The profit tax rates for Hong Kong and Singapore are 16.5% (2010: 16.5%) and 17% (2010: 17%) respectively.

## 4. DIVIDENDS

The Board does not recommend the payment of any dividend for the period (2010: Nil).

## 5. (LOSS)/EARNINGS PER SHARE

### Basic

Basic earnings per share for the periods ended 30 September 2011 and 2010 are calculated by dividing the (loss)/profit attributable to the shareholders of the Company by the deemed weighted average number of ordinary shares in issue during the periods.

The number of ordinary shares used for the calculation of earnings per share for the period ended 30 September 2010 is the aggregate number of shares which included the 245,980,000 ordinary shares issued in the May 2011 capitalisation issue pursuant to the Group reorganisation in preparation of the Group's Listing.

On 28 July 2011, the Company completed the placing of 82,000,000 ordinary shares for cash consideration of HK\$0.72 per share.

There were no dilutive potential ordinary shares outstanding during the nine months ended 30 September 2011.

	<b>For the nine months ended 30 September 2011</b>		2010
(Loss)/profit attributable to equity holders of the Company	<b>(HK\$4,191,329)</b>		HK\$1,123,661
Weight average number of shares in issue	<b>265,223,443</b>		246,000,000
Basic (loss)/earnings per share	<b>(HK\$1.58 cents)</b>		HK\$0.46 cents

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options, the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The conversion of all potential ordinary shares arising from share options granted by the Company would not have a dilutive effect on the (loss)/earnings for the periods ended 30 September 2011 and 2010. As a result, basic and diluted (loss)/earnings per share are the same.

## 6. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTER FINANCIAL STATEMENTS

The unaudited condensed consolidated third quarterly financial information was approved by the Board on 8 November 2011.

## OTHER INFORMATION

### COMPARISON BETWEEN FUTURE PLANS AND PROSPECTS AND ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the Placing were approximately HK\$43.5 million. As the Company's shares were listed on GEM of the Stock Exchange on 28 July 2011, no proceeds raised from the placing of the shares were applied up to 30 September 2011. The future plans and prospects as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

### SHARE OPTION SCHEMES

The Company has adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") on 26 March 2011. The principal terms of the two schemes were summarised in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to the Prospectus.

The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group who have assisted in the development and growth of the Group and for their contribution in connection with the Listing, whilst the purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group.

#### **Pre-IPO Share Option Scheme**

Options to subscribe for an aggregate of 12,300,000 shares at an exercise price of HK\$0.72 were granted to 10 participants by the Company, each at a consideration of HK\$1 under the Pre-IPO Share Option Scheme. All the available options under the Pre-IPO Share Option Scheme were approved by the Board on 26 March 2011 and the details of grants were communicated to the individual employees on 30 June 2011. No further options could be granted under the Pre-IPO Share Option Scheme thereafter.

## OTHER INFORMATION (CONTINUED)

As at 30 September 2011, details of the options granted under the Pre-IPO Share Option Scheme were as follows:

<b>Grantee</b>	<b>Number of shares under options granted</b>
<b>Directors</b>	
– Ngan Toi Yuk	3,280,000
– Tam Kai Kwong Eric	1,804,000
– Lee Sze Leong	1,640,000
<b>Senior management of the Group</b>	5,576,000
<b>Total</b>	12,300,000

The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holder in tranches in the following manner:

- (i) 50% of the option shall vest on 28 January 2012
- (ii) 8% of the option shall vest on 28 February 2012
- (iii) 8% of the option shall vest on 28 March 2012
- (iv) 8% of the option shall vest on 28 April 2012
- (v) 8% of the option shall vest on 28 May 2012
- (vi) 8% of the option shall vest on 28 June 2012
- (vii) 10% of the option shall vest on 28 July 2012

It is impracticable to disclose the value of the above options as at 30 September 2011 as the Company's shares were listed on GEM of the Stock Exchange on 28 July 2011. None of the options granted under the Pre-IPO Share Option Scheme had been exercised, cancelled nor lapsed during the nine months ended as at 30 September 2011.

### **Share Option Scheme**

During the nine months ended 30 September 2011, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2011, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in the Company

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares pursuant to share option	Aggregate interests	Approximate percentage of shareholding in the Company
Wong Hong Gay Patrick Jonathan	Interest of controlled corporation	169,026,600 (Note)	—	169,026,600	51.53%
Ngan Toi Yuk	Beneficial owner	—	3,280,000	3,280,000	1%
Tam Kai Kwong Eric	Beneficial owner	—	1,804,000	1,804,000	0.55%
Lee Sze Leong	Beneficial owner	—	1,640,000	1,604,000	0.5%

*Note:* These shares are registered in the name of iMediaHouse Asia Limited ("iMHA", which is the Company's intermediate holding company), the issued share capital of which is controlled directly by iMediaHouse.com Limited ("iMH", which is the Company's ultimate holding company) as to 65.1%. iMHA is controlled indirectly by Mr. Wong through AdSociety.com Limited (which is wholly owned by Mr. Wong) as to 29.8% and iMediaHouse Ventures HK Limited (which is a wholly owned subsidiary of AdSociety.com Limited) as to 3.1%. iMH is a company controlled by Mr. Wong as to 75.3%. Mr. Wong is therefore deemed to be interested in all the shares in which iMHA is interested by virtue of the SFO.

## OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 2011, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2011, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group were as follows:

### Long positions in the Company

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximate percentage of shareholding in the Company</b>
iMHA <sup>1</sup>	Beneficial owner	169,026,600	51.53%
TGI <sup>2</sup>	Beneficial owner	61,500,000	18.75%

#### Notes:

1. iMHA is a company directly controlled as to 65.1% by iMH, which is directly owned as to 75.3% by Mr. Wong. iMHA is also indirectly controlled by Mr. Wong through AdSociety.com Limited (which is wholly owned by Mr. Wong) as to 29.8% and iMediaHouse Ventures HK Limited (which is a wholly owned subsidiary of AdSociety.com Limited) as to 3.1%. Mr. Wong and iMH are therefore deemed to be interested in all the shares in which iMHA is interested by virtue of the SFO.
2. These shares are registered in the name of TGI, the entire issued share capital of which is owned by Wong's International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 0099). Wong's International Holdings Limited is therefore deemed to be interested in all the shares in which TGI is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2011, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any member of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on GEM of the Stock Exchange on 28 July 2011. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2011.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by CIMB Securities (HK) Limited ("CIMB"), the compliance adviser of the Company, neither CIMB nor its directors or employees or associates had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 September 2011.

Pursuant to the agreement dated 29 June 2011 entered into between CIMB and the Company, CIMB received and will receive fees for acting as the compliance adviser of the Company.

## COMPETING INTERESTS

Save and except for interests in the Group, none of the Directors and controlling shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interest in any other companies as at 30 September 2011 which may, directly or indirectly, compete with the Group's business.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 30 September 2011.



## CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2011, except code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Wong to assume both roles as the chief executive officer and executive chairman of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organization, the Board will consider splitting the two roles. With the strong business experience of the Directors, they do not expect any issues would arise due to the combined role of Mr. Wong. The Group also has in place an internal control system to perform the check and balance function.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee internal control procedures of the Company. The audit committee comprises one non-executive Director, namely Mr. Chan Tsze Wah, and three independent non-executive Directors, namely Mr. Lien Jown Jing Vincent (chairman of the audit committee), Mr. Rosenkranz Eric Jon and Mr. Chan Chi Keung Alan.

The unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2011 have not been audited by the Company's auditor, PricewaterhouseCoopers, but have been reviewed by the audit committee, who is of the opinion that the interim financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

By order of the Board  
**Focus Media Network Limited**  
**Wong Hong Gay Patrick Jonathan**  
*Chairman, CEO and Executive Director*

Hong Kong, 8 November 2011

*As at the date of this report, the executive Directors are Mr. Wong Hong Gay Patrick Jonathan, Ms. Ngan Toi Yuk, Mr. Tam Kai Kwong Eric, and Mr. Lee Sze Leong; the non-executive Director is Mr. Chan Tsze Wah; and the independent non-executive Directors are Mr. Lien Jown Jing Vincent, Mr. Rosenkranz Eric Jon and Mr. Chan Chi Keung Alan.*