

FOCUS MEDIA NETWORK

iMediaHouse

Combining Venture Capital and Entrepreneurs

Focus Media Network Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code :

8112



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3rd QUARTERLY REPORT 2012

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 Company, together with its subsidiaries (collectively, the “Group”), is a well-established digital Out-of-Home (“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.

During the nine months ended 30 September 2012, including the pending upgrade of monitors at 28 wholly-owned buildings by a certain landlord partner, the size of our network actually grew by 12% over the corresponding period of the previous year.

Region	Network	Nine months ended 30 September 2012	Nine months ended 30 September 2011	% Increase
Hong Kong	Office and Commercial Network	613	541	13%
Hong Kong	In-store Network	200	200	N/A
Singapore	Office and Commercial Network	380	313	21%
Singapore	HDB Shopping Centres	21	21	N/A
Singapore	In-store Network	50	50	N/A
Total number of Venues		1,264	1,125	12%

FINANCIAL REVIEW

The Group’s turnover for the nine months ended 30 September 2012 was approximately HK\$34.6 million, representing an increase of approximately 11% over the corresponding period of the previous year.

Gross profit for the nine months ended 30 September 2012 was approximately HK\$24.0 million, representing an increase of approximately 1% over the corresponding period of the previous year.

Gross profit margin for the nine months ended 30 September 2012 decreased 7% from approximately 76% to approximately 69% for the corresponding period of the previous year, due to higher cost-of-sales associated with the Group’s media partnership with Youku. Inc. and certain creative format media placements and sponsorship events that took place during the period.

The Group’s total operating expenses as a publicly-traded company (including equity-based compensation and depreciation) for the nine months ended 30 September 2012 were approximately HK\$42.8 million compared to approximately HK\$28.0 million for the corresponding period of the previous year when the Group’s shares had just been publicly-traded for two months since 28 July 2011.

FINANCIAL REVIEW (CONTINUED)

The increase in total operating expenses was due to:

1. increase in payroll cost by 28%, including increase in headcounts of 18%; and equity-based compensation, as the Group invests to hire and retain the best talents;
2. cost associated with the Group's network expansion and increase capital expenditure as the Group invest to expand its digital network by 12%;
3. increase in operating costs as a publicly-traded company, including professional parties fees; and
4. marketing expenses as the Group ramps up investments in marketing to advertisers, real-estate developers and investors.

The Group's negative EBITDA (Note 1) for the nine months ended 30 September 2012 amounted to approximately HK\$14.0 million as compared to a negative EBITDA of approximately HK\$0.6m for the corresponding period of the previous year due to the higher operating expenses detailed above.

Note 1: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, amortisation of intangible assets and non-controlling interest. 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.

Due to increased operating expenses, the Group recorded a loss attributable to shareholders of approximately HK\$17.8 million for the nine months ended 30 September 2012 as compared to a loss attributable to shareholders of approximately HK\$4.2 million for the corresponding period of the previous year.

Dividend

The board of directors of the Company (the "Board") does not recommend the payment of any dividend for the nine months ended 30 September 2012 (2011: Nil).

Information on employees

As at 30 September 2012, the Group had 74 employees (30 September 2011: 63), including the Executive Directors, an increase of approximately 18%. Approximately one-third of the Group's existing employees had served more than half of the Group's eight and a half years of operating history. 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.

FINANCIAL REVIEW (CONTINUED)

Charges of assets

As at 30 September 2012, the Group did not have any charges on its assets (31 December 2011: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2012 (31 December 2011: Nil).

HIGHLIGHTS

- The Group experienced continuous double-digit growth in terms of revenue and network expansion over the corresponding period of the previous year.
- The Group's turnover for the nine months ended 30 September 2012 was approximately HK\$34.6 million, representing an increase of approximately 11% over the corresponding period of the previous year.
- Gross profit for the nine months ended 30 September 2012 was approximately HK\$24.0 million, representing an increase of approximately 1% over the corresponding period of the previous year.
- Due to increased operating expenses, the Group recorded a loss attributable to shareholders of approximately HK\$17.8 million for the nine months ended 30 September 2012 as compared to a loss attributable to shareholders of approximately HK\$4.2 million for the corresponding period of the previous year.
- Loss per share for the nine months ended 30 September 2012 was HK cents 5.42.
- The Board does not recommend the payment of any dividend for the period.

UNAUDITED THIRD QUARTERLY RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2012 together with comparative unaudited figures for the corresponding periods ended 30 September 2011, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)	2012 HK\$ (Unaudited)	2011 HK\$ (Unaudited)
Turnover		11,495,708	10,484,004	34,552,982	31,165,022
Cost of sales		(3,982,087)	(2,434,493)	(10,584,778)	(7,428,212)
Gross profit		7,513,621	8,049,511	23,968,204	23,736,810
Other income		68,877	113,697	104,497	157,444
Administrative expenses		(15,555,320)	(12,909,549)	(42,793,970)	(28,032,220)
Operating loss		(7,972,822)	(4,746,341)	(18,721,269)	(4,137,966)
Finance costs		(13,613)	(27,918)	(45,291)	(53,363)
Loss before income tax		(7,986,435)	(4,774,259)	(18,766,560)	(4,191,329)
Income tax	3	826,999	—	778,229	—
Loss for the period		(7,159,436)	(4,774,259)	(17,988,331)	(4,191,329)
Other comprehensive income/ (loss) for the period, net of tax Currency translation differences		346,798	—	526,395	(4,046)
Total comprehensive loss for the period attributable to equity holders of the Company		(6,812,638)	(4,774,259)	(17,461,936)	(4,195,375)
Loss for the period attributable to:					
Owners of the Company		(7,076,425)	(4,774,259)	(17,793,724)	(4,191,329)
Non-controlling interests		(83,011)	—	(194,607)	—
		(7,159,436)	(4,774,259)	(17,988,331)	(4,191,329)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(6,729,627)	(4,774,259)	(17,267,329)	(4,195,375)
Non-controlling interests		(83,011)	—	(194,607)	—
		(6,812,638)	(4,774,259)	(17,461,936)	(4,195,375)
Loss per share attributable to owners of the Company — Basic and diluted	5	(2.16) cents	(1.8) cents	(5.42) cents	(1.58) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Warrant reserve	Share option reserve	Accumulated losses			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance as at 1 January 2011, audited	—	—	55,778,953	(369,512)	—	—	(11,670,888)	43,738,553	—	43,738,553
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(4,191,329)	(4,191,329)	—	(4,191,329)
Other comprehensive loss										
Currency translation differences	—	—	—	(4,046)	—	—	—	(4,046)	—	(4,046)
Total comprehensive loss	—	—	—	(4,046)	—	—	(4,191,329)	(4,195,375)	—	(4,195,375)
Transactions with owners										
Contribution by equity holders	—	—	2,697,137	—	—	—	—	2,697,137	—	2,697,137
Issue of shares	8	—	—	—	—	—	—	8	—	8
Repurchase of issued shares	(8)	—	—	—	—	—	—	(8)	—	(8)
Share swap pursuant to the Reorganisation	100	234,943,440	(234,943,540)	—	—	—	—	—	—	—
Capitalisation issue	2,459,800	(2,459,800)	—	—	—	—	—	—	—	—
Issue of ordinary shares	820,100	41,861,233	—	—	—	—	—	42,681,333	—	42,681,333
Share option scheme	—	—	—	—	—	1,436,167	—	1,436,167	—	1,436,167
Total transactions with owners	3,280,000	274,344,873	(232,246,403)	—	—	1,436,167	—	46,814,637	—	46,814,637
Balance as at 30 September 2011, unaudited	3,280,000	274,344,873	(176,467,450)	(373,558)	—	1,436,167	(15,862,217)	86,357,815	—	86,357,815
Balance at 31 December 2011 and 1 January 2012, audited	3,280,000	274,344,873	(176,467,450)	(558,858)	—	2,913,880	(9,634,289)	93,878,156	—	93,878,156
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(17,793,724)	(17,793,724)	(194,607)	(17,988,331)
Other comprehensive income										
Currency translation differences	—	—	—	526,395	—	—	—	526,395	—	526,395
Total comprehensive loss	—	—	—	526,395	—	—	(17,793,724)	(17,267,329)	(194,607)	(17,461,936)
Transactions with owners										
Share option scheme	—	—	—	—	—	1,207,784	455,160	1,662,944	—	1,662,944
Issuance of warrant (Note a)	—	—	—	—	85,596	—	—	85,596	—	85,596
Non-controlling Interests	—	—	—	—	—	—	—	—	801,642	801,642
Total transactions with owners	—	—	—	—	85,596	1,207,784	455,160	1,748,540	801,642	2,550,182
Balance at 30 September 2012, unaudited	3,280,000	274,344,873	(176,467,450)	(32,463)	85,596	4,121,664	(26,972,853)	78,359,367	607,035	78,966,402

Note:

- (a) On 27 March 2012, the Company and MCL Brokerage Limited ("MCL") entered into a placing agreement pursuant to which the Company had appointed MCL as its agent to place unlisted warrants conferring the right to subscribe up to 32,800,000 ordinary shares of the Company at an issue price of HK\$0.01 per warrant. Each warrant will carry the right to subscribe for one ordinary share of the Company at an initial subscription price of HK\$0.80 per share. The 32,800,000 warrants were issued to independent third parties on 2 April 2012 at a consideration of HK\$328,000 net of issuance cost of HK\$242,404. The subscription right will be exercisable during a period of 18 months from the date of issue of the warrants. As of 30 September 2012, no subscription right was exercised.

NOTES TO THE FINANCIAL INFORMATION

For the nine months ended 30 September 2012

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 GEM of the Stock Exchange since 28 July 2011.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated third quarterly financial information for the nine months ended 30 September 2012 (the "Third Quarterly Financial Information") have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM on the Stock Exchange (the "GEM Listing Rules").

The Third Quarterly Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Third Quarterly Financial Information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

3. INCOME TAX

	Unaudited Nine months ended 30 September 2012 HK\$	2011 HK\$
Current income tax		
— Hong Kong profits tax	—	—
— Singapore income tax	—	—
Deferred income tax	(778,229)	—
	(778,229)	—

Hong Kong profits tax and Singapore income tax have been provided at the rate of 16.5% (2011: 16.5%) and 17% (2011: 17%) respectively on the estimated assessable profits for the nine months ended 30 September 2012 and 2011.

4. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2012 (2011: Nil).

5. LOSS PER SHARE

Basic

Basic loss per share for the nine months ended 30 September 2012 and 2011 are calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the periods.

	Unaudited nine months ended 30 September 2012	2011
Loss attributable to equity holders of the Company	HK\$(17,793,724)	HK\$(4,191,329)
Weight average number of shares in issue	328,000,000	265,223,443
Basic loss per share	HK cents (5.42)	HK cents (1.58)

Diluted

Diluted loss per share for both periods is the same as the basic loss earnings per share as the impact of the share options and warrant during the period had an anti-dilutive effect on the basic loss per share amounts presented.

6. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL INFORMATION

The unaudited condensed consolidated third quarterly financial statements were approved for issue by the Board on 8 November 2012.

OTHER INFORMATION

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 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were 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 any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the shares of the Company

Name of directors	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares held under equity derivatives	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
Wong Hong Gay Patrick Jonathan	—	—	169,026,600 <i>(Note)</i>	169,026,600	328,000*	169,354,600	51.63%
Ngan Toi Yuk	—	—	—	—	3,608,000*	3,608,000	1.10%
Tam Kai Kwong Eric	—	—	—	—	2,132,000*	2,132,000	0.65%
Lee Sze Leong	—	—	—	—	1,968,000*	1,968,000	0.60%
Chan Tsze Wah	—	—	—	—	328,000*	328,000	0.1%
Lien Jown Jing Vincent	—	—	—	—	328,000*	328,000	0.1%
Rosenkranz Eric Jon	—	—	—	—	328,000*	328,000	0.1%
Chan Chi Keung Alan	—	—	—	—	328,000*	328,000	0.1%

* Being personal interests

Note: These shares are directly held by iMediaHouse Asia Limited which is owned as to approximately 65.08% by iMediaHouse.com which is in turn owned as to approximately 75.30% by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO.

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 2012, none of the Directors and chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 the required standard of dealings 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 2012, other than the interests and short positions of the Directors disclosed above, the following persons (not being a Director or chief executives 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 provision 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 any member of the Group:

Long positions in the shares of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
iMediaHouse Asia Limited <i>(Notes 1 & 2)</i>	Beneficial owner	169,026,600	51.53%
iMediaHouse.com Limited <i>(Notes 1 & 2)</i>	Interest of controlled corporation	169,026,600	51.53%
Trade Grand International Limited <i>(Notes 3 & 4)</i>	Beneficial owner	61,500,000	18.75%
Wong's Industrial (Holdings) Limited <i>(Notes 3 & 4)</i>	Interest of controlled corporation	61,500,000	18.75%
Catel (B.V.I.) Limited <i>(Notes 3 & 4)</i>	Interest of controlled corporations	61,500,000	18.75%
Wong's International (Holdings) Limited <i>(Notes 3 & 4)</i>	Interest of controlled corporations	61,500,000	18.75%
Flyer Wonder Limited <i>(Notes 5 & 6)</i>	Investment manager	31,668,000	9.65%
Asia Private Credit Fund Limited <i>(Notes 5 & 6)</i>	Investment manager	31,668,000	9.65%
Citigroup Inc.	Person having a security interest in shares	31,668,000	9.65%

OTHER INFORMATION (CONTINUED)

Notes:

1. These shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 65.08% by iMediaHouse.com ("iMH"). iMH is therefore deemed to be interested in these shares by virtue of the SFO.
2. The interests of iMH and iMHA are duplicated.
3. These shares are directly held by Trade Grand International Limited ("TGIL") which is wholly owned by Wong's Industrial (Holdings) Limited ("WIHL"), which is in turn wholly owned by Catel (B.V.I.) Limited ("Catel"). Catel is wholly owned by Wong's International (Holdings) Limited ("Wong's International"). WIHL, Catel and Wong's International are therefore deemed to be interested in these shares by virtue of the SFO.
4. The interests of TGIL, WIHL, Catel and Wong's International are duplicated.
5. These shares are directly held by Flying Wonder Limited ("FWL") which is wholly owned by Asia Pacific Credit Fund Limited ("APCFL"). APCFL is therefore deemed to be interested in these shares by virtue of the SFO.
6. The interests of FWL and APCFL are duplicated.

Save as disclosed under the section headed "Directors' and chief executives' interests or short positions in shares, underlying shares and debentures" and the above section, at 30 September 2012, no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

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

During the nine months ended 30 September 2012, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's listed securities.

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 2012. Pursuant to the agreement dated 29 June 2011 entered into between CIMB and the Company, CIMB received fees for acting as the compliance adviser of the Company.

OTHER INFORMATION (CONTINUED)

On 25 October 2012, the Company announced that the Company and CIMB had mutually agreed to terminate the compliance adviser's agreement dated 29 June 2011 with effect from 25 October 2012 for commercial reasons (the "Announcement"). Save as disclosed in the Announcement, the Company and CIMB confirmed that as at the date of that Announcement there were no other matters relating to the change of compliance adviser that need to be drawn to the attention of the shareholders of the Company and the Stock Exchange.

In the Announcement, the Company also announced that Cinda International Capital Limited ("CICL") had been appointed as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 25 October 2012 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after its initial listing (being the year ending 31 December 2013), or until the compliance adviser agreement entered into between the Company and CICL is terminated in accordance with its terms, whichever is earlier.

COMPETITION AND CONFLICT OF INTERESTS

During the nine months ended 30 September 2012, none of the Directors, the management, shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CODE OF CONDUCT FOR 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 2012.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that leads to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices. The Board also acknowledged the responsibility for preparing the accounts.

For the nine months ended 30 September 2012 and up to 8 November 2012 (the latest practicable date before publication of this report), the Company had complied with the code provisions ("Code Provisions") set out in the Code of Corporate Governance Practices (taking effect before 1 April 2012) and the Corporate Governance Code (taking effect from 1 April 2012) as contained in Appendix 15 to the GEM Listing Rules, except for Code Provision A.2.1. provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. WONG Hong Gay Patrick Jonathan. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group.

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 C.3.3 of the Corporate Governance Code as set out in Appendix 15 (taking effect from 1 April 2012) 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 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 2012 have not been audited by the Company's auditor, PricewaterhouseCoopers, but have been reviewed by the audit committee of the Company, which is of the opinion that the third quarterly 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 2012

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.