

FOCUS MEDIA NETWORK LIMITED

(Incorporated in the Cayman Islands with limited liability 於開曼群島註冊成立的有限公司)

STOCK CODE : **8112**
股票代號 : **8112**



Annual Report
年度報告 **2012**

FOCUS MEDIA NETWORK

iMediaHouse

Combining Venture Capital and Entrepreneurs

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Corporate Information

Board of Directors

Executive Directors

Wong Hong Gay Patrick Jonathan
(Chairman and CEO)

Ngan Toi Yuk
Tam Kai Kwong Eric
Lee Sze Leong

Non-Executive Director

Chan Tsze Wah

Independent Non-Executive Directors

Rosenkranz Eric Jon
Chan Chi Keung Alan
Lien Jown Jing Vincent

Company Secretary

Lee Yuen Han Hope

Compliance Officer

Ngan Toi Yuk

Audit Committee

Lien Jown Jing Vincent (Chairman)
Rosenkranz Eric Jon
Chan Chi Keung Alan

Nomination Committee

Wong Hong Gay Patrick Jonathan
(Chairman)
Chan Chi Keung Alan
Lien Jown Jing Vincent

Remuneration Committee

Rosenkranz Eric Jon (Chairman)
Chan Chi Keung Alan
Wong Hong Gay Patrick Jonathan

Corporate Governance Committee

Wong Hong Gay Patrick Jonathan
(Chairman)
Ngan Toi Yuk
Tam Kai Kwong Eric
Lee Sze Leong

Authorized Representatives

Wong Hong Gay Patrick Jonathan
Ngan Toi Yuk

Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Legal Advisor

Robertsons
57th Floor, The Center
99 Queen's Road
Central
Hong Kong

Compliance Adviser

CIMB Securities Limited (formerly known
as CIMB Securities (HK) Limited)
(1 January – 24 October 2012)
Units 7706–08
Level 77
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Cinda International Capital Limited
(25 October – 31 December 2012)
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Registered Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

2801, 28th Floor
Citicorp Centre
18 Whitfield Road
North Point
Hong Kong

Principal Place of Business in Singapore

79 Anson Road
#05-02/03
Singapore 079906

Principal Bankers

HSBC
1 Queen's Road
Central
Hong Kong

HSBC
21 Collyer Quay
#06-01 HSBC Building
Singapore 049320

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KYI-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's Website

www.focusmedia.tv

Place of Listing

The Stock Exchange of Hong Kong
Limited

Stock Code

8112

Chairman's Statement



Dear Shareholders,

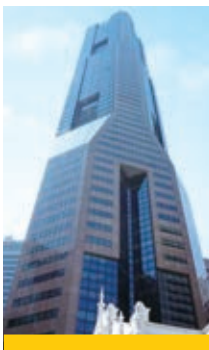
On behalf of the Board of Directors (the "Board") of Focus Media Network Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PJ Wong

Chairman, CEO and Executive Director

Business Overview

Our 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 advertisements. In terms of the number of venues in which we deploy our digital flat-panel displays, our Group is the largest digital OOH media company in Hong Kong and Singapore. In September of 2012, our Group completed the deployment of our digital OOH media network at the elevator lobbies of all three of Singapore's tallest skyscrapers — namely One Raffles Place, Republic Plaza and UOB Plaza. In early January 2013, our Group completed the deployment of our digital OOH media network at the Gateway Twin Towers (designed by I. M. Pei) in Singapore, and attained our Group's 1,000th building under our Group's Office and Commercial Building digital OOH media network.



Republic Plaza Tower



UOB Plaza



One Raffles Place



Chairman's Statement (Continued)

Attaining our Group's 1,000th building in our Office & Commercial Building digital OOH media network is a testament to the success of our Group's unique business model; adding value to our real-estate partners and connecting our audience with our advertising clients. Building a viable business, one brick (building) at a time, until we are now the largest digital OOH media company in Hong Kong and Singapore in terms of the number of venues in which our Group deploys our flat-panel displays. We would not have succeeded without the support from our shareholders, partners, clients and employees. Leveraging on what we have built, our Group is witnessing tremendous new opportunities in the fast-growing OOH advertising sector. The number of venues in which our Group deploys our flat-panel displays continued to experience double-digit growth over the previous year which allowed us to increase the advertising rates offered to our advertisers.

During the year ended 31 December 2012, turnover was generated from a total of 256 customers; comprising 153 new customers and 103 repeat customers, demonstrating our medium is still very much attracting new advertisers onboard. The total adspend from the 103 repeat customers increased by approximately 8% over the previous year and contributed to approximately 52% (2011: 46%) of our Group's total turnover.

China Media Partnerships

Since our Group's listing in July 2011, we had embarked on a journey to diversify our business across new media platforms and into new markets and territories. In February 2012, our Group expanded our media partnership with Youku Inc. (NYSE: YOKU; "YOKU"), China's leading Internet television company. As a result of the success of our initial partnership with YOKU in the territory of Hong Kong and Macau, both parties decided to expand the geographic coverage of our partnership to other overseas regions outside of mainland China. In August 2012, YOKU and Tudou Holdings (NASDAQ: TUDO) completed the merger of their two companies, solidifying their position as the most recognized online video brand in China, with approximately 90% share of the online video market. In December 2012, our Group jointly launched the inaugural season of "Discover Singapore" and the follow-on second season of "Discover Hong Kong/Macau" with YOKU. In 2013, we will be replicating this model in Taiwan. The "Discover" series is a joint-development between our Group and YOKU of the first digital section on YOKU, dedicated to advertisers seeking to reach tourists from mainland China.

In January 2013, our Group was appointed as a media sales representative partner outside of mainland China for Tulip Media; China's largest out-of-home LED media network, with a network of over 200 large LED billboards. Meanwhile, our Group continues to act as the exclusive media sales representative partner in Hong Kong and Singapore for Focus Media Holdings (NASDAQ: FMCN); China's largest lifestyle targeted out-of-home interactive digital media network. During the same month, our Group was appointed as the exclusive media sales representative partner outside of mainland China for Douban; China's biggest spontaneous social network.

In February 2013, our Group was appointed as a media sales representative partner in Hong Kong/Macau, Singapore and Taiwan; representing Baidu (NASDAQ: BIDU), China's largest search engine with approximately 80% share of the Chinese search market.

Our Group will continue to seek out viable collaborations and partnerships with leading media enterprises in mainland China as part of our Group's low-cost and low-risk market entry strategy to meet advertisers' growing demand for quality media and advertising assets in mainland China.

New Media Platforms & Network Expansion

On the home-front, our Group has been leveraging on our core business infrastructure to expand our network coverage and to create new digital OOH platforms and advertising opportunities for our customers. In December 2012, our Group commenced the trial of our digital OOH media network at elevator lobbies of major private residential complexes in Hong Kong. Leveraging on the existing infrastructure of our Group's Office and Commercial Building digital OOH media network and our relationships with Hong Kong's leading real-estate developers, we plan to officially launch our new Residential digital OOH media network covering residential buildings once the trial is proven successful with our advertisers.

As retail sales continues to surge due to the sustained growth in mainland China tourists, Hong Kong advertisers are increasing their investments in OOH media assets, particularly on large static billboards. To meet this demand, and leveraging on our relationships with our real-estate partners, our Group has signed trial agreements with our landlord partners and will soon be launching our static OOH billboard media offerings for our advertisers.

As a result of the increased demand for advertising airtime on our Mannings in-store digital network, our Group will be expanding our in-store digital network at Mannings from the current 200 stores to its full network of over 300 stores in Hong Kong. With the expanded network coverage, we will be able to fulfill the needs of our advertisers in reaching their customers at the point-of-sale within the retail chain-stores. As well, our Group will be expanding our Watsons in-store digital network from the current 50 stores to its full network of over 100 stores in Singapore.

There are other new revenue projects that have been in the works but not yet reached fruition and we will announce them at the appropriate time. Our Group has laid a solid foundation and established an infrastructure to leverage on our core assets and resources of our relationships with our partners and advertisers to continuously create new revenue streams, and we will continue our endeavours to expand our business by the implementation of the various future plans and growth strategies as presented in the prospectus of the Company dated 30 June 2011 (the "Prospectus") and in our 2011 Annual Report.



Chairman's Statement (Continued)

Businesses under Focus Media Network



Fund Raising

In November 2012, Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (formerly Stark Investments) subscribed to warrants conferring the right to subscribe for new shares of up to 10% of the existing issued share capital of our Company. The HK\$1.29 subscription price was priced at a premium of approximately 18% over the closing price on the last trading day prior to the subscription. It is expected that approximately HK\$42 million will be raised from the issue of new shares upon the full exercise of the subscription rights attached to the warrants. Details of this announcement are posted on our Company's website. Our Group is thrilled that brand name investors such as Credit Suisse and Orchard Capital Partners have shown confidence in our Company and we are just as confident that they can add tremendous value to our Group.

Synergistic Acquisitions

In respect of our Group's on-going efforts to explore potential synergistic acquisitions that can leverage on our existing partnerships with our real-estate partners and our advertiser base, as previously announced in April 2012 (details of the announcement are posted on our Company's website), we had proposed the acquisition of a group of media companies that own an extensive portfolio of outdoor space in Hong Kong, conditional upon our Group assembling the required financing. While we had succeeded in securing a major media-investor to jointly finance the proposed acquisition, the global financial markets had deteriorated since the time when our Group signed the non-binding MOU with the target company. Due to the uncertain economic environment and financial markets and the slowdown in adspend in the second half of 2012, our Group had in the fourth quarter of 2012 decided to adopt a more prudent approach to wait for signs of the economy improving before we continue our Group's pursuit for synergistic acquisitions.

Appreciation

On behalf of the directors, I would like to extend my sincere gratitude to our management and staff for their diligence and contributions to our Group's development. We would also like to express our sincere appreciation to our partners for offering our Group the opportunities to collaborate with them, our advertisers and their advertising agencies for their continuous support for our Group's products and services, and our shareholders for their trust and patience over a very challenging 2012.

Focus Media Network Limited

Wong Hong Gay Patrick Jonathan

Chairman, CEO and Executive Director

Hong Kong, 19 March 2013



Financial Highlights & Summary

Financial Summary

in HK\$	2012	Year ended 31 December		
		2011	2010	2009
RESULTS				
Revenue	53,661,805	60,032,678	48,545,921	33,591,898
(Loss)/profit for the year	(27,327,804)	2,036,599	11,747,177	5,383,109
Attributable to:				
Equity owners of the Company	(27,049,208)	2,036,599	11,747,177	5,383,109
Non-controlling interest	(278,596)	—	—	—

in HK\$	2012	Year ended 31 December		
		2011	2010	2009
ASSETS AND LIABILITIES				
Total assets	86,837,688	107,788,298	56,316,683	19,046,631
Total liabilities	16,439,654	13,910,142	12,578,130	8,025,651
Net assets	70,398,034	93,878,156	43,738,553	11,020,980

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 in which we deploy our digital flat-panel displays, our Group is the largest digital OOH media company in Hong Kong and Singapore.

The number of venues in which our Group deployed our flat-panel displays continued to experience double-digit growth which allowed us to increase the advertising rates offered to our advertisers.

The table below shows the growth of our Group's network size:

Number of venues

Region	Network	2012	2011	% Increase (2012)
Hong Kong	Office and Commercial Network	607	559	9%
Hong Kong	In-store Network (Mannings)	200	200	0%
Singapore	Office and Commercial Network	398	335	19%
Singapore	HDB Shopping Centres	21	21	0%
Singapore	In-store Network (Watsons)	50	50	0%
Total number of venues		1,276	1,165	10%

The table below shows the breakdown of our Group's revenue by customer sector, demonstrates our medium's effective and consistent reach to a broad spectrum of sectors in the industry:

In HK\$	2012		2011		2010		2009	
Health/Personal care/ Cosmetics	11,811,400	22%	14,220,471	24%	13,055,467	27%	8,030,559	24%
Entertainment/Media	12,164,918	23%	12,067,438	20%	9,504,454	20%	4,684,139	14%
Food & Beverages	6,382,914	12%	7,696,632	13%	2,788,726	6%	2,092,322	6%
Banking/Finance/Insurance	4,395,542	8%	4,465,599	7%	3,540,672	7%	3,420,720	10%
Electronics	2,462,305	5%	510,001	1%	2,608,915	5%	2,974,553	9%
Government	2,292,994	4%	4,075,764	7%	1,987,877	4%	2,246,514	7%
Mobile Phone	1,507,531	3%	1,522,484	2%	1,549,110	3%	1,615,618	5%
Others	12,644,201	23%	15,474,289	26%	13,510,700	28%	8,527,473	25%
Total	53,661,805	100%	60,032,678	100%	48,545,921	100%	33,591,898	100%



Management Discussion and Analysis (Continued)

Business Review (Continued)

Business model and strategy

The Group has pioneered the concept of creating a sizeable network of flat-panel displays in elevator lobbies of office and commercial buildings to sell advertisements. After nine years, the Group has attained its 1,000th building under the Office and Commercial Building digital OOH media network. Building a viable business, one brick (building) at a time, until the Group is now the largest digital OOH media company in Hong Kong and Singapore in terms of the number of venues in which the Group deploys its flat-panel displays. The number of venues in which the Group deploys its flat-panel displays continued to experience double-digit growth over the previous year which allowed the Group to increase the advertising rates offered to its advertisers. Turnover was generated from a diverse pool of 256 customers; comprising 153 new customers and 103 repeat customers, demonstrating the medium is still very much attracting new advertisers onboard. The total adspend from the repeat customers increased by approximately 8% over the previous year and contributed to approximately 52% (2011: 46%) of the Group's total turnover. These are testaments to the success and sustainability of the Group's business model.

The Group has laid a solid foundation and established an infrastructure to leverage on its core assets and resources of the Group's relationships with its partners and advertisers to continue the Group's endeavours to expand its business by the implementation of the various future plans and growth strategies as presented in the Prospectus and in the 2011 Annual Report. The Group is expanding its in-store digital network at Mannings from the current 200 stores to over 300 stores in Hong Kong as well as expanding the same at Watsons from the current 50 stores to over 100 stores in Singapore. Further leveraging on the existing infrastructure of its Office and Commercial Building digital OOH media network and as its relationships with Hong Kong's leading real-estate developers, the Group has commenced the trial launch of its digital OOH media network at major private residential complexes (Residential OOH media network) in Hong Kong. In addition, the Group has signed trial agreements with its landlord partners for the launch of its large static OOH billboard media offerings for its customers.

The Group will continue to seek out viable collaborations and partnerships with leading media enterprises in mainland China as part of the Group's low-cost and low-risk market entry strategy to meet advertisers' growing demand for quality media and advertising assets in mainland China. The Group has expanded its media partnership to other overseas regions outside of mainland China with Youku Tudou Inc., China's leading Internet television company with approximately 90% share of the online video market; the Group was appointed as the media sales representative partner outside of mainland China for Tulip Media, China's largest out-of-home LED media network with a network of over 200 large LED billboards; was appointed as the exclusive media sales representative partner outside of mainland China for Douban, China's biggest spontaneous social network; and was appointed as the media sales representative partner in Hong Kong/Macau, Singapore and Taiwan, representing Baidu, China's largest search engine with approximately 80% share of the Chinese search market. The Group continues to act as the exclusive media sales representative partner in Hong Kong and Singapore for Focus Media Holdings, China's largest lifestyle targeted out-of-home interactive digital media network.

Business Review (Continued)

Corporate social responsibility

As a global corporate citizen, it is the mission of the Group to serve and nurture the community. To share the economic fruits with and in paying tribute to the society, the Group takes an active role in participating in various community, charitable and national building events in Singapore and Hong Kong for betterment of the community at large. Noteworthy events in 2012 included:

- (i) Partnership with Mercy Relief to support regional humanitarian and disaster relief and sustainable development programmes (Singapore)
- (ii) Sponsorship of Singapore's National Day Parade 2012 (Singapore)
- (iii) Sponsorship of Chingay 2012 (Singapore)
- (iv) Sponsorship of Coastal Cleanup Challenge 2012 (Hong Kong)
- (v) Sponsorship of New World Cycling Charity Championship 2012 (Hong Kong)



Management Discussion and Analysis (Continued)

Business Review (Continued)

Corporate social responsibility (Continued)



Partnership with Mercy Relief to support regional humanitarian and disaster relief and sustainable development programmes (Singapore)



Sponsorship of the Chingay 2012 (Singapore)

Business Review (Continued)

Corporate social responsibility (Continued)



Sponsorship of Singapore's National Day Parade 2012 (Singapore)



Sponsorship of Coastal Cleanup Challenge 2012 (Hong Kong)



Sponsorship of New World Cycling Charity Championship 2012 (Hong Kong)



Management Discussion and Analysis (Continued)

Financial Review

in HK\$	2012	2011	2010	2009
Turnover	53,661,805	60,032,678	48,545,921	33,591,898
Gross profit	36,511,072	48,596,827	38,783,624	26,410,163
EBITDA ^(Note 1)	(21,323,630)	8,342,882	13,746,000	7,514,000
Net (loss)/profit	(27,327,804)	2,036,599	11,747,177	5,383,109

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

The Group's turnover for the year of 2012 was approximately HK\$53.7 million, representing a decline of approximately 11% over the previous year due mainly to the slowdown in adspend in the second half of 2012.

Gross profit for the year of 2012 was approximately HK\$36.5 million, representing a decline of approximately 25% over the previous year. Gross profit margin decreased 13% to 68% from 81% due mainly to higher cost-of-sales associated with the Group's media partnership with Youku Tudou Inc. as well as certain creative format media placements.

The Group's total operating expenses (including non-cash equity-based compensation and depreciation) for year of 2012 were approximately HK\$64.7 million, representing an increase of approximately 40% over the previous year. The increase in total operating expenses for the year of 2012 over the previous year was due to:

- (1) increase in payroll cost (including non-cash equity-based compensation) as a result of increase in headcounts and staff remuneration as the Group continues to invest in hiring and retaining the best talents;
- (2) increase in capital expenditure associated with the Group's network expansion as the Group continues to invest to expand its existing digital network and launch of new digital networks;
- (3) increase in professional parties' fees and other listing related costs (note: the Company was publicly-traded for only five months in the year 2011); and
- (4) increase in non-recurring marketing expenses as the Group ramps up investments in marketing to advertisers, real-estate developers and investors.

The Group's negative EBITDA amounted to approximately HK\$21.3 million for the year of 2012 as compared to positive EBITDA amounted to approximately HK\$8.3 million for the previous year.

Due to the decline in turnover and the increase in operating expenses, the Group recorded a loss attributable to shareholders of approximately HK\$27.3 million for the year of 2012 as compared to a profit attributable to shareholders of approximately HK\$2.0 million for the previous year.

Financial Review (Continued)

Liquidity and financial resources

The Group has adopted a prudent financial management strategy and maintained a healthy liquidity position as at 31 December 2012. The Group had cash and cash equivalents of HK\$53,614,392 as at 31 December 2012 (2011: HK\$61,191,578). 2012 had been a year of investments and the development of new revenue streams. The Group's work invested during the year has begun to bear fruits in the last three months as it has launched and will be launching numerous new media partnerships and new OOH media platforms. Apart from providing working capital to support the media sales and business development of its existing business, the Group maintains a strong cash position to meet the needs for potential new business expansion and development.

Gearing ratio

The gearing ratio of the Group, calculated as total borrowings over shareholders' fund, was approximately 1.1% as at 31 December 2012 (2011: approximately 1.5%).

Foreign exchange

For the year ended 31 December 2012, the Group was exposed to foreign currency risk with respect to its operations in Singapore where most of the business transactions, assets and liabilities were denominated in Singapore dollars. The Group will monitor its foreign currency exposure closely. During the year ended 31 December 2012, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

The shares of the Company were listed on GEM of the Stock Exchange on 28 July 2011. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 December 2012, the Group did not have any significant capital commitments (2011: Nil).

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

Information on employees

As at 31 December 2012, the Group had 63 employees (2011: 61), including the executive Directors. Total staff costs (including Directors' emoluments) were approximately HK\$23.1 million for the year ended 31 December 2012 as compared to approximately HK\$19.8 million for the year ended 31 December 2011. 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. For the year ended 31 December 2012, no bonuses were paid to any employees or directors. Other staff benefits include contributions to Mandatory Provident Fund scheme in Hong Kong and Central Provident Fund in Singapore as well as share options.



Management Discussion and Analysis (Continued)

Financial Review (Continued)

Significant investments held

Except for investment in subsidiaries, during the year ended 31 December 2012, 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 year ended 31 December 2012, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

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

Contingent liabilities

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

Comparison Between Future Plans and Prospects and Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus and the strategies for delivering them and the actual business progress up to 31 December 2012 is set out below:

Business objectives for the period from 1 January 2012 to 31 December 2012

Actual business progress up to 31 December 2012

Increase our market share

- | | |
|---|--|
| <ul style="list-style-type: none"> • Expand advertiser base, increase advertisers' advertising spending, increase number of repeat advertisers | <ul style="list-style-type: none"> • Our Group maintained and increased the number of repeat advertisers over the previous year. The total adspend of these repeat customers increased by approximately 8% over the previous year and contributed to approximately 52% (2011: 46%) of our Group's total turnover. |
| <ul style="list-style-type: none"> • Continue to expand network coverage | <ul style="list-style-type: none"> • Our Group had expanded the network coverage by approximately 10% over the previous year. Our Group attained its 1,000th building in our Office & Commercial Building network. |
| <ul style="list-style-type: none"> • Acquisition of targets with good potentials or are otherwise beneficial to our business | <ul style="list-style-type: none"> • Our Group made a voluntary announcement in April 2012 of a non-legally binding MOU in respect of a potentially very substantial acquisition of a major OOH media company, conditional upon the Company assembling the required funds for the proposed acquisition. Our Group had since adopted a more prudent approach in the interest of our shareholders to wait for signs of the economy improving before we continue our Group's pursuit for synergistic acquisitions. |

Increase the efficiency of our sales and delivery

- | | |
|---|--|
| <ul style="list-style-type: none"> • Expand sales force to cover a wide spectrum of the industry | <ul style="list-style-type: none"> • Our Group had maintained a sales force of 25 headcounts, and continued to hire and retain only the best talents. |
|---|--|



Comparison Between Future Plans and Prospects and Actual Business Progress (Continued)

Business objectives for the period from 1 January 2012 to 31 December 2012

- Further expand headcounts in each team and add new sales teams to leverage off new business opportunities

Developing new product lines

- Launch new platforms and networks

- Further develop innovative and synergistic creative options/formats to complement advertisers' media campaigns

Actual business progress up to 31 December 2012

- Our Group had maintained a team of 10 headcounts in business development, and continued to hire and retain only the best talents.

- Our Group maintained our media partnership with Focus Media Holdings (NASDAQ: FMCN), China's largest lifestyle targeted out-of-home interactive digital media network; expanded our media partnership with Youku Inc. (NYSE: YOKU), China's leading Internet television company; and signed media partnerships with Tulip Media; China's largest out-of-home LED media network; with Douban, China's biggest spontaneous social network; and with China Search Asia for Baidu (NASDAQ: BIDU), China's largest search engine with approximately 80% share of the Chinese search market.

- Our Group commenced the trial of our digital OOH media network at elevator lobbies of major high-end residential complexes in Hong Kong (Residential network), signed trial agreements with landlords and will soon launch our static billboard network in Hong Kong, in the process of expanding our Mannings' in-store digital network from the current 200 stores to its full network of over 300 stores in Hong Kong, and in the process of expanding our Watsons' in-store digital network from the current 50 stores to its full network of over 100 stores in Singapore.

- Our Group continued to offer new and innovative creative formats to our advertisers.

Comparison Between Future Plans and Prospects and Actual Business Progress (Continued)

**Business objectives for the period from
1 January 2012 to 31 December 2012**

Actual business progress up to 31 December 2012

Increasing the effectiveness of marketing and personal relations

- | | |
|--|--|
| <ul style="list-style-type: none"> • Increase the effectiveness of marketing and PR | <ul style="list-style-type: none"> • Our Group held a total of 16 (sixteen) press interviews with the leading press in Hong Kong and Singapore. |
| <ul style="list-style-type: none"> • Increase the intensity/frequency of marketing and public relations activities | <ul style="list-style-type: none"> • As a result of the press interviews and other Public Relations initiatives, our Group generated a total of 76 (seventy-six) press coverage in the leading press. |
| <ul style="list-style-type: none"> • Showcase successful advertisers' campaigns | <ul style="list-style-type: none"> • Our Group continued to showcase successful advertisers' campaign to pursue new customers in the relevant product categories. |
| <ul style="list-style-type: none"> • Continue to conduct pre/post campaign research studies to be better accountable for advertisers' campaigns | <ul style="list-style-type: none"> • Based on the information gathered, our Group considered that investment in pre/post campaign research studies may not generate attractive return since the industry had already accepted our numerous research studies conducted previously. |
| <ul style="list-style-type: none"> • Implement customers relationship management system | <ul style="list-style-type: none"> • Our Group maintained and increased the number of repeat advertisers over the previous year. |
| <ul style="list-style-type: none"> • Create a feedback channel for Clients and Partners | <ul style="list-style-type: none"> • The Group had established a robust database of Clients and Partners and has since been communicating with them regarding our Group's development and initiatives through this feedback channel on a regular basis. |
| <ul style="list-style-type: none"> • Create an industry forum on digital OOH trends for advertisers | <ul style="list-style-type: none"> • Based on the information gathered, our Group considered that investment in industry forum may not generate attractive return. |



Use of Proceeds

The Company was incorporated in the Cayman Islands with limited liability on 28 January 2011 as an exempted company and became the holding company of the companies now comprising the Group in 2011. As part of the preparation for listing of the shares of the Company, the Company implemented a capitalisation issue of 245,980,000 shares and an issue of 82,000,000 new shares during the placing for listing (the "Share Placing") in July 2011. All such shares issued were ordinary shares and the 82,000,000 new shares were issued at HK\$0.72 per share.

The net proceeds of the Share Placing received by the Company were approximately HK\$42.6 million, after deduction of the related share issuance expenses. These proceeds are intended to be applied in accordance with the proposed application set out in the paragraph headed "Reasons for the Placing and Use of Proceeds" in the Prospectus. The Directors are not aware of material change to the planned use of proceeds as at the date of this report. Any net proceed that was not applied immediately have been placed on the short-term interest bearing deposits with authorized financial institutions in Hong Kong as at the date of this report.

During the year ended 31 December 2012, the net proceeds of the Share Placing had been applied as follows:

Use of Proceeds	Approximately HK\$17.92 million of the net proceeds for increasing our market share	Approximately HK\$10.24 million of the net proceeds for increasing the efficiency of our sales and delivery	Approximately HK\$7.68 million of the net proceeds for developing new product lines	Approximately HK\$2.56 million of the net proceeds for increasing the effectiveness of marketing and personal relations	Approximately HK\$4.27 million for working capital and other general corporate purposes	Total Net Proceeds Approximately HK\$42.6 million
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To be utilized by

31 December 2012 as stated in Prospectus	\$15,792,056	\$6,082,075	\$5,548,560	\$1,707,250	\$4,268,123	\$33,398,064
Utilized by 31 December 2012	\$14,497,024	\$6,050,308	\$2,622,906 ^(Note 1)	\$1,697,384	\$4,268,123	\$29,135,745

Note 1: Under the category of **developing new product lines**, our Group has laid a solid foundation and established an infrastructure to leverage on our core assets and resources of our relationships with our partners and advertisers to continuously create new digital OOH platforms and advertising opportunities for our customers. As a result of this success, our Group was able to accomplish our objective under this category without having to fully deploy the assigned amount of Use of Proceeds previously anticipated in our Prospectus.

Directors and Senior Management Profile

Directors

Our Board of Directors is responsible and has general powers for the management and conduct of the business. The following table sets forth information regarding members of the Board as at the date of this report:

Name	Appointment Date	Age	Positions within the Company
<i>Executive Directors</i>			
WONG Hong Gay Patrick Jonathan	24 March 2011	48	Co-founder, Chairman and CEO of the Company, chairman of the Nomination Committee and Corporate Governance Committee and member of the Remuneration Committee
NGAN Toi Yuk	9 June 2011	42	Co-founder, Executive Director of the Company and Managing Director of Focus Media Hong Kong Limited ("FMHK") & Focus Media Singapore Pte. Ltd. ("FMSG"), member of the Corporate Governance Committee
TAM Kai Kwong Eric	9 June 2011	47	Executive Director of the Company, General Manager of FMHK and member of the Corporate Governance Committee
LEE Sze Leong	9 June 2011	42	Executive Director of the Company, Management Mentor of FMSG and member of the Corporate Governance Committee
<i>Non-executive Director</i>			
CHAN Tsze Wah	9 June 2011	64	Not Applicable
<i>Independent Non-executive Directors</i>			
ROSENKRANZ Eric Jon	9 June 2011	60	chairman of the Remuneration Committee and member of the Audit Committee
CHAN Chi Keung Alan	9 June 2011	49	member of the Audit Committee, Remuneration Committee and Nomination Committee
LIEN Jown Jing Vincent	9 June 2011	52	chairman of the Audit Committee and member of the Nomination Committee



Directors and Senior Management Profile (Continued)



Chairman and CEO

WONG Hong Gay Patrick Jonathan, aged 48, co-founded the Group in April 2004, and was appointed a director of the Company on 24 March 2011 and re-appointed as chairman and an Executive Director of the Company and a member of the Remuneration Committee on 9 June 2011. He was appointed chairman of the Nomination Committee on 26 March 2012 and chairman of the Corporate Governance Committee on 8 August 2012. Mr. Wong is the founder, chairman and a director of iMediaHouse Asia Limited (“iMHA”) and iMediaHouse.com Limited (“iMH”), the controlling shareholder of the Company and the ultimate controlling shareholder of the Company, respectively. Mr. Wong currently serves as the CEO of the Company and has been CEO of the Group since its founding. Apart from charting the Group’s vision and mission and meeting the Group’s overall business objectives, Mr. Wong is also responsible for key client/partnership development and new business initiatives and overall management of advertising sales and business development functions.

Mr. Wong is an entrepreneur with over two decades of start-up and operational experience with a wide range of global and regional media and entertainment, broadcasting, mobile and satellite telecommunications, Internet and digital Out-of-Home ventures. After completing six years of military service in Singapore, Mr. Wong started his career in publishing and in 1991 joined the founding team that launched Star TV. He went on to establish the regional satellite broadcaster’s regional office in Singapore and served as its regional director, advertising sales for the Southeast Asia region. A year after the network was acquired by News Corporation (NASDAQ:NWS), Mr. Wong was invited to rejoin the founders of Star TV to work on the launch of Pacific Century Group’s Corporate Access where he served as the satellite-based corporate communications services provider’s vice president for sales and advertising & promotions. When Corporate Access was acquired by Hutchison Whampoa (HKSE:0013), Mr. Wong was transferred to Hutchison Telecommunications where he served as its vice president, business development for the Asia region. While at Hutchison Telecommunications, Mr. Wong developed the desire to join the race to provide the world’s first global mobile personal communications service or GMPCS. That led to his joining of Silicon Valley-based Loral Space & Communications’ Globalstar (NASDAQ:LORL) where he subsequently established the constellation’s regional office in Hong Kong and served as its regional director for the Southeast Asia region.

In 1999, Mr. Wong embraced the Asian Internet boom and became the founding managing director for 24/7 Media Asia, one of the three founding business units of Chinadotcom (NASDAQ:CHINA). At 24/7 Media Asia, Mr. Wong built a pan-Asian interactive advertising sales network that stretches across nine Asian countries within its first year of operations. Shortly afterwards, Mr. Wong founded iMH’s first venture, the AdSociety Group, a venture that eventually became a part of the PCCW Group (HKSE:0008). As founder and group CEO, Mr. Wong established offices across nine major cities and formed joint ventures with Tokyu Agency Inc. (a member of Tokyu Corporation [TYO:9005]), LG Advertising Inc. (a member of LG Group [KRX:003550]) and the People’s Daily Group, in Japan, South Korea and China, respectively, and worked with numerous sales and technology partners in the United States and Europe to establish a global advertising sales network and provided integrated online, broadband and

Directors and Senior Management Profile (Continued)

mobile advertising, marketing and sales services to a diverse spectrum of premium online media properties. Following the burst of the technology bubble and the events of September 11, the Internet and mobile advertising venture was divested by PCCW on 3 October 2001. Soon afterwards, Mr. Wong was invited to rejoin the founders of PCCW to serve as the CEO of NOW Satellite TV.

Mr. Wong has been a senior advisor on overseas investment and business development for the People's Daily Group since 2002; is serving his eleventh consecutive year as a Council of Governor of CASBAA, the region's leading industry based advocacy group that represents over 125 Asia-based corporations to promote multi-channel TV via cable, satellite, broadband, mobile and wireless video networks across the Asia-Pacific; and an advisor to The Media Evangelism, a charitable Christian organisation committed to building a Christian media presence using every modern means of communications.

Executive Directors

NGAN Toi Yuk, aged 42, co-founded the Group in April 2004 and was appointed an Executive Director of the Company on 9 June 2011. Ms. Ngan currently serves as the compliance officer of the Company and managing director of both FMHK and FMSG. She was appointed a member of the Corporate Governance Committee on 8 August 2012. Ms. Ngan has overall responsibilities for the Group's operations including strategic partnership development, new business development and advertising sales. She is a director of both iMHA and iMH, the controlling shareholder of the Company and the ultimate controlling shareholder of the Company, respectively.

Ms. Ngan has two decades of operational experience with a wide range of global and regional media and entertainment, broadcasting, Internet and digital OOH ventures and a proven track record in marketing new media and advertising concepts to a diverse group of advertisers and business partners in a number of media markets, including the U.S., Japan, Korea, the PRC, Hong Kong and Singapore.

Ms. Ngan started her advertising career in 1993 with News Corporation's Star TV and worked at both the network's headquarter in Hong Kong and its US office in New York City. In 1999, Ms. Ngan joined 24/7 Media Asia, one of the three founding business units of Chinadotcom, as regional advertising sales manager. In 2000, Ms. Ngan became one of the founding members of iMH's first venture, the AdSociety Group, a venture that eventually became a PCCW company. At AdSociety, Ms. Ngan was the executive assistant to the founder and group CEO as well as assistant vice president of global network sales. When the Internet and mobile advertising venture was divested by PCCW in 2001, Ms. Ngan moved on to PCCW's NOW Satellite TV and served as the executive assistant to CEO and assistant vice president of global network sales. Ms. Ngan obtained double Bachelor's degrees in Marketing and International Business from New York University, New York, USA, in January 1993.





Directors and Senior Management Profile (Continued)



TAM, Kai Kwong Eric, aged 47, joined the Group in August 2006 and was appointed an Executive Director of the Company on 9 June 2011. He was appointed a member of the Corporate Governance Committee on 8 August 2012. Mr. Tam currently serves as the general manager of FMHK. He is responsible for overseeing advertising sales, partnership development and strategic planning and new business initiatives. Mr. Tam has over two decades of start-up and operational experience in launching new media and advertising initiatives covering the print, Internet, mobile and Out-of-Home media sectors. Prior to joining the Group, Mr. Tam founded a London-based trading platform connecting buyers in the U.K. with sellers in China. After four years, he sold his business and returned to Hong Kong. Mr. Tam was previously the general manager of AdSociety Hong Kong, a PCCW company and the associate general manager for 24/7 Media Asia, one of three founding business units of Chinadotcom. Mr. Tam started his advertising career in 1992 with the South China Morning Post and subsequently held a number of sales management positions with various media companies, including sales director at Pearl & Dean, sales & marketing director at POAD, and had worked at XS-Media. Mr. Tam obtained a Bachelor's degree in Accounting, Finance and Economics from Essex University, London, U.K. in July 1990.



LEE, Sze Leong, aged 42, joined the Group in August 2007 and was appointed an Executive Director of the Company on 9 June 2011. He was appointed a member of the Corporate Governance Committee on 8 August 2012. Mr. Lee currently serves as the management mentor of FMSG where he works closely with the general manager on all day-to-day aspects of the operations including advertising sales, marketing, business development, partnership, strategic planning and new business initiatives. Mr. Lee has 19 years of start-up and operational experience in launching new media and advertising initiatives covering the radio, Internet, mobile and Out-of-Home media sectors. A Hong Kong native, Mr. Lee originally joined the Group as the director of advertising sales for FMHK and in June 2010 was seconded to Singapore to head the Company's Singapore operations. He was appointed management mentor of FMSG on 1 January 2012 when he completed his succession plan and handed over the baton to a Singapore native to run the local operations. Prior to joining the Group, Mr. Lee was the deputy sales director at Metro Broadcast, a Hutchison Whampoa company and the director of business development at mobile advertising platform, MyClick Media. Mr. Lee started his advertising sales career at Metro Broadcast in 1994. He was previously the sales and marketing manager for Kirin Brewery in Hong Kong and Macau and an assistant vice president for business development at PCC Skyhorse, a PCCW company. Mr. Lee obtained a Bachelor degree in Information Systems from the City University of Hong Kong in December 1994.

Directors and Senior Management Profile (Continued)

Non-executive Directors

CHAN Tsze Wah, aged 64, was appointed a Non-executive Director of the Company on 9 June 2011. In 1985, Mr. Chan became an executive director of Wong's Industrial (Holdings) Limited ("WNIH"), a company listed on the Main Board of the Stock Exchange, and in June 1990, following a reorganization of WNIH, became an executive director of Wong's International (Holdings) Limited ("WIH"), a company listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 0099). He is currently a member of the remuneration committee of WIH. Previously, Mr. Chan was WIH's financial controller and in July 2007 became a financial adviser of WIH. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants. He obtained a Bachelor degree in Social Sciences in October 1971 and a Master of Arts in China Development Studies from the University of Hong Kong in December 2009. Before joining WIH, Mr. Chan had approximately 10 years' experience with a major international firm of accountants.



Independent Non-executive Directors

ROSENKRANZ Eric Jon, aged 60, was appointed an Independent Non-executive Director of the Company on 9 June 2011. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Rosenkranz is currently the founder and chairman of e.three, a strategic advisory company helping organisations in Asia determine and execute their long term plans. Mr. Rosenkranz was formerly the vice-chairman of Focus Media Holding Limited (NASDAQ: FMCN) and was involved in its listing on the NASDAQ on 13 July 2005.

Mr. Rosenkranz was formerly the chairman of Outdoor Solutions Group in Australia and assisted the OOH media company in raising funds and eventually engineered a trade sale to News Corporation to create News Outdoor Southeast Asia, where he served as chairman of the board. In 1983, Mr. Rosenkranz joined Grey Global Group, formerly the world's largest independent marketing communications company with over US\$1 billion in revenue before being acquired by WPP for US\$1.2 billion in 2004. He held positions as president Asia Pacific, president Latin America, executive vice president Europe, Africa, Middle East and Eastern Europe, and board member to the agency's joint venture in Japan, Grey Daiko. Mr. Rosenkranz currently serves on the board of Caelan Wright & Associates and is a senior advisor of WestIndoChina. Mr. Rosenkranz obtained a Bachelor degree in Economics from the George Washington University and a MBA in Marketing and Economics at the University of Chicago in May 1973 and June 1975 respectively.





Directors and Senior Management Profile (Continued)



CHAN Chi Keung Alan, aged 49, was appointed an Independent Non-executive Director of the Company on 9 June 2011. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chan is currently the head of legal services for the Hong Kong Jockey Club. In July 2012, Mr. Chan was appointed a Committee Member by Special Appointment of the Eighth Zhuhai Committee of the Chinese People's Political Consultative Conference, and in September 2012, he was appointed a director of the Hong Kong Chiu Chow Chamber of Commerce Limited. Mr. Chan is a qualified solicitor admitted in England & Wales in October 1991 and in Hong Kong SAR in February 1992 and has practiced corporate and commercial law for more than two decades. Previously, Mr. Chan was the Asia Pacific legal director for St. Jude Medical. Mr. Chan started his career in 1992 as a corporate finance lawyer with Stephenson Harwood & Lo. He later acted as the senior assistant director, legal department, of the Land Development Corporation (now known as Urban Renewal Authority). Mr. Chan was also the legal counsel for one of the leading US information technology companies, Sun Microsystems for Greater China.

Mr. Chan was the vice president of Legal Affairs, at Celestial Pictures Limited, a subsidiary of Astro All Asia Networks plc., a Malaysian company that carries out business relating to cross-media, in particular, direct-to-home television services, commercial radio and television programming. Celestial Pictures Limited is a commercial media company that owns and distributes the largest film library in Asia, including the Shaw Brothers film library, with worldwide entertainment assets in the motion picture, television, and new media industries. Mr. Chan obtained a Bachelor of Science degree in Civil Engineering from the Aston University of Birmingham, England in July 1986 and a LLB in China Law from the China University of Political Science and Law, Beijing, PRC in June 1999. He is a registered civil celebrant in Hong Kong and served as a board director (and former chairman) of Theatre Space Foundation Limited, a theatrical drama performance charitable institution.



LIEN Jown Jing Vincent, aged 52, was appointed an Independent Non-executive Director of the Company on 9 June 2011. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Lien is currently a director of Wah Hin & Company, a Singapore incorporated private investment holding company, a director of the Maritime & Port Authority of Singapore, and an independent non-executive director and a member of the audit committee and remuneration committee of Up Energy Development Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 0307). Previously, Mr. Lien served on the board of eSun Holdings Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 0571) and indirectly owns Media Asia Entertainment Group, where he held the position of independent non-executive director from 1999, executive chairman from 2001 and non executive chairman from 2007 until his retirement from the board in June 2010. Mr. Lien has over 20 years' of experience in the banking industry, specializing in corporate finance and capital management in Hong Kong, the PRC, Singapore and South-east Asia. Mr. Lien held various senior positions at several major multinational banking institutions including Swiss Bank Corporation and Bankers Trust & Company. He was the managing director in the financial institutions & public sector division of ABN AMRO Bank. Mr. Lien obtained a Bachelor degree in Business Administration from the University of New Brunswick in 1986.

Directors and Senior Management Profile (Continued)

Senior Management

Our executive Directors and senior management are responsible for the day-to-day management of our business. The following table sets out certain information concerning our senior management as at this report:

Name	Age	Positions within the Company
CHEE Huiling Audrey	33	director and general manager of FMSG
TAN Shing	40	director, advertising sales of FMSG
LIU Chun Hung Clement	37	financial controller of the Company
LO Chiu Evie	40	director, operations of the Company
CHAN Hong Yee Belinda	35	associate director, business development of FMHK

CHEE Huiling Audrey, aged 33, joined the Group in May 2005. She was appointed an Executive Director of the Company on 19 March 2013 which will take effect on 8 May 2013. Ms. Chee currently serves as a director and the general manager of FMSG where she oversees all day-to-day aspects of the operations including advertising sales, marketing, business development, partnership, strategic planning and new business initiatives. She was appointed as a director of FMSG on 22 March 2011. Ms. Chee originally joined the Group as a manager in the business development division for FMSG and was transferred to the advertising division in 2006 and subsequently rose through the ranks as senior manager advertising sales in 2007, associate director advertising sales in 2008 and associate general manager in 2010. Ms. Chee was appointed as the general manager of FMSG on 1 January 2012. Ms. Chee has over a decade of media sales and management experience, ten of which in the Out-of-Home industry. Prior to joining the Group, Ms. Chee worked for MooveMedia, a ComfortDelgro company, between 2002 and 2005. Ms. Chee obtained a Bachelor of Arts degree in Business Administration majoring in Public Relations from the Nottingham Trent University in November 2001.



TAN Shing, aged 40, is the director, advertising sales of FMSG responsible for the entire advertising salesforce and meeting the revenue targets of the Singapore operations. Mr. Tan originally joined the Group in August 2007 as a manager in the advertising sales division for FMSG and subsequently rose through the ranks as senior manager advertising sales and associate director advertising sales in 2010 and director advertising sales in 2011. He has over 15 years of entertainment, media sales and management experience. Prior to joining the Group, Mr. Tan spent ten years with Sony BMG Music Entertainment. Mr. Tan obtained a Diploma in Mass Communications from the Management Development Institute of Singapore in December 1997.





Directors and Senior Management Profile (Continued)



LIU Chun Hung Clement, aged 37, is the financial controller of the Company. He joined the Group in March 2007 and is responsible for all finance, audit and company secretarial matters in the finance division of the Company. Prior to joining the Group, Mr. Liu worked with PCCW and the Music Nation Group. Mr. Liu obtained a Diploma in Supervisory Management from Haking Wong Technical Institutes in August 1996, a Diploma in Management from the Institute for Supervision and Management in August the same year, a Higher Diploma in Accountancy from City University of Hong Kong in November 2001 and a Bachelor of Arts (Hons) degree in Accountancy from Bolton Institute of Higher Education in the United Kingdom in June 2003. Mr. Liu has been a fellow member of the Institute of Financial Accountants since March 2007.



LO Chiu Evie, aged 40, is the director, operations of the Company. She joined the Group in July 2004 and has overall responsibility for the back-end support and operations for both FMHK and FMSG. Prior to joining the Group, Ms. Lo worked with Modern Warehouse Company, a Cheung Kong (Holdings) company. Ms. Lo obtained a Bachelor of Arts degree in Economics from the University of Calgary, Canada in November 1996.



CHAN Hong Yee Belinda, aged 35, is the associate director, business development of FMHK. She joined the Group in March 2008 and is responsible for the business development team's continued efforts to expand the Company's digital network as well as launch new digital platforms. Prior to joining the Group, Ms. Chan worked with a number of leading periodicals and advertising agencies. Ms. Chan obtained a Certificate in Hotel & Catering Service at Kwun Tong Vocational Training Centre in July 1995.

Company Secretary

Ms. Lee Yuen Han Hope, aged 47, has been appointed as the company secretary of the Company since September 2011. Ms. Lee is currently an associate of The Institute of Chartered Secretaries and Administrators, an associate of The Hong Kong Institute of Chartered Secretaries and a professional member of The Hong Kong Institute of Human Resource Management. She has extensive experience in management and corporate administration.

Corporate Governance Report

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 of directors 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.

For the year ended 31 December 2012, 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), except for Code Provision A.2.1.

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.

The Board of Directors

Composition and Responsibilities

The Board currently comprises eight directors ("Directors"), of which four are Executive Directors, one is a Non-executive Director, and three are Independent Non-executive Directors. The composition of the Board is as follows:

Executive Directors:

Mr. WONG Hong Gay Patrick Jonathan (*Chairman & CEO*)

Ms. NGAN Toi Yuk

Mr. TAM Kai Kwong Eric

Mr. LEE Sze Leong

Non-executive Director:

Mr. CHAN Tsze Wah

Independent Non-executive Directors:

Mr. ROSENKRANZ Eric Jon

Mr. CHAN Chi Keung Alan

Mr. LIEN Jown Jing Vincent

For the year ended 31 December 2012, there was no change in the composition of the Board.

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 21 to 28.

Corporate Governance Report (Continued)

The Board is accountable to shareholders for the Company's performance and activities. While the Board is primarily overseeing and managing the Company's affairs, the Chairman of the Board provides leadership to the Board in carrying out its duties. The Executive Directors constituting the senior management of the Company are delegated with responsibilities in the day-to-day management of the Company and make operational and business decisions within the control of and delegation framework of the Company. The Non-executive Directors (including Independent Non-executive Directors) contribute valuable views and proposals for the Board's deliberation and decisions.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The Directors make every effort to contribute to the formulation of policy, decision-making and the development of the Group's business. For the year ended 31 December 2012, a total of six Board meetings were held.

Directors' Attendance at Board/Board Committee/General Meetings

Here below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the year ended 31 December 2012:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	2012 Annual General Meeting
Number of Meetings Attended/Held						
<i>Executive Directors:</i>						
WONG Hong Gay Patrick Jonathan	6/6	4/4	1/1	1/1	1/1	1/1
NGAN Toi Yuk	6/6	4/4	N/A	N/A	1/1	1/1
TAM Kai Kwong Eric	6/6	4/4	N/A	N/A	1/1	1/1
LEE Sze Leong	6/6	4/4	N/A	N/A	1/1	1/1
<i>Non-executive Director:</i>						
CHAN Tsze Wah	6/6	4/4	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors:</i>						
ROSENKRANZ Eric Jon	6/6	4/4	1/1	N/A	N/A	1/1
LIEN Jown Jing Vincent	6/6	4/4	N/A	1/1	N/A	1/1
CHAN Chi Keung Alan	6/6	4/4	1/1	1/1	N/A	1/1

Appropriate notices are given to all Directors in advance for attending regular and other board or board committee meetings. Meeting agendas and other relevant information are provided to the Directors in advance of board or board committee meetings. All Directors are consulted to include additional matters in the agenda for such meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of board and board committee meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Appointment, Re-election and Removal

All Non-executive Directors have entered into service contracts with the Company for a specific term of one year, subject to re-election.

In accordance with the articles of association of the Company, at each annual general meeting ("AGM") one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Confirmation of Independence

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. Specific enquiry has been made to all Directors who have confirmed that they had complied with the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules for the year ended 31 December 2012.

Directors' Participation in Continuous Professional Trainings

During the year, the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. Certain Directors also attended professional trainings delivered by law firm or certified public accountants.

In addition, the Company will invite professionals to provide trainings to the Directors from time to time regarding the latest developments on the GEM Listing Rules to refresh their knowledge, if and when necessary.

Corporate Governance Report (Continued)

Board Committees

Audit Committee

The Audit Committee of the Company was established with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system and internal control procedures. It reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting process and internal controls.

The composition of the Audit Committee is as follows:

Independent Non-executive Directors:

Mr. LIEN Jown Jing Vincent (*Chairman*)

Mr. ROSENKRANZ Eric Jon

Mr. CHAN Chi Keung Alan

(Remarks: Mr. CHAN Tsze Wah, a Non-executive Director, had once been a member of the Audit Committee but resigned on 26 March 2012.)

During the year ended 31 December 2012, the Audit Committee held four meetings. Details of the attendance of the members of the Audit Committee in the said meetings are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Audit Committee during the year is as follows:

- met with the external auditors and reviewed the annual, interim and quarterly reports of the Company;
- reviewed the effectiveness of the Company's internal control and risk management systems;
- reviewed and approved audit fee;
- recommended the re-appointment of auditors; and
- reviewed arrangements for the employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters.

Remuneration Committee

The Board established the Remuneration Committee with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for, inter alia, making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy.

The composition of the Remuneration Committee is as follows:

Independent Non-executive Directors:

Mr. ROSENKRANZ Eric Jon (*Chairman*)

Mr. CHAN Chi Keung Alan

Executive Director:

Mr. WONG Hong Gay Patrick Jonathan

(*Remark:* Mr. LIEN Jown Jing Vincent, an Independent Non-executive Director, had been a member of the Remuneration Committee but resigned on 26 March 2012.)

During the year, the Remuneration Committee held one meeting. Details of the attendance of the members of the Remuneration Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Remuneration Committee during the year is as follows:

- reviewed the remuneration packages of the Executive Directors and senior management of the Company and recommended to the Board the proposal of their fixed salaries for the year 2013; and
- reviewed and recommended to the Board the directors' fees of the Non-executive Director and the Independent Non-executive Directors for the year 2013.

Corporate Governance Report (Continued)

Nomination Committee

The Board established the Nomination Committee with written terms of reference in compliance with the relevant Code Provisions from time to time. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of Independent Non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee is as follows:

Executive Director:

Mr. WONG Hong Gay Patrick Jonathan (*Chairman*)

Independent Non-executive Directors:

Mr. LIEN Jown Jing Vincent

Mr. CHAN Chi Keung Alan

During the year, the Nomination Committee held one meeting. Details of the attendance of the members of the Nomination Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Nomination Committee during the year is as follows:

- reviewed the Board's structure, size and composition;
- reviewed the independence of the Independent Non-executive Directors; and
- made recommendation on the retiring Directors at the 2013 AGM of the Company.

Corporate Governance Committee

The Board newly established the Corporate Governance Committee on 8 August 2012 with written terms of reference in compliance with the relevant Code Provisions. The written terms of reference of the Corporate Governance Committee are available on the websites of the Company and the Stock Exchange.

The composition of the Corporate Governance Committee is as follows:

Executive Directors:

Mr. WONG Hong Gay Patrick Jonathan (*Chairman*)

Ms. Ngan Toi Yuk

Mr. TAM Kai Kwong Eric

Mr. LEE Sze Leong

The primary duties of the Corporate Governance Committee include, among others, to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of directors and senior management; and to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

During the year, the Corporate Governance Committee held one meeting. Details of the attendance of the members of the Corporate Governance Committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the Corporate Governance Committee during the year is as follows:

- reviewed the corporate governance practices of the Group;
- reviewed the training programmes for Directors and senior management of the Company;
- reviewed the Company's policies such as human resources policy, code of conduct and grievance policy;
- reviewed the current practices on compliance with legal and regulatory requirements;
- provided latest updates on laws, rules and regulations to Directors and arrange for relevant professional training to them; and
- reviewed the compliance with the Code Provisions and disclosures in the Corporate Governance Report.

Corporate Governance Report (Continued)

Remuneration of Directors and Senior Management

Emolument Policy

The remuneration policy of the Group is to ensure the fairness and competitiveness of total remuneration. The emoluments of Executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of Non-executive Directors (including Independent Non-executive Directors) is to ensure that the Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of Non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 53 to 96 were prepared on the basis set out in note 2.1 to the Consolidated Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

During the year, the Company engaged Messrs. PricewaterhouseCoopers ("PwC") as the external auditors. The fee in respect of audit services provided by PwC for the year ended 31 December 2012 approximately amounted to HK\$1,380,000 (2011: HK\$1,230,000). No audit related or non-audit services were provided by PwC for the year ended 31 December 2012 (2011: Fees in respect of audit related and non-audit services provided by PwC amounted to approximately HK\$1,140,000 and HK\$320,000 respectively).

The reporting responsibilities of PwC are set out in the Independent Auditors' Report on pages 51 and 52.

Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

For the year ended 31 December 2012, the Company conducted reviews on the effectiveness of the internal control system as required by the Code Provisions, including review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee also reviewed with members of the management the work done and the results of such reviews.

Delegation by the Board

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

With the establishment of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee, the Independent Non-executive Directors will be able to effectively devote their time to perform the duties required by the respective board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the Executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with shareholders, Board membership, delegation of authority and corporate governance.

Non-Competition Undertaking from Controlling Shareholders

At the time of Listing, each of the controlling shareholders (as defined in the GEM Listing Rules) of the Company gave a non-competition undertaking in favour of the Company. Each of them has confirmed compliance with such non-competition undertaking. The Board comprising all the Independent Non-executive Directors is of the view that such controlling shareholders have been in compliance with the non-competition undertaking in favour of the Company.

Company Secretary

The Company engages Ms. Hope Lee Yuen Han ("Ms. Hope Lee"), an external service provider, as its Company Secretary. Ms. NGAN Toi Yuk, an Executive Director, is the primary contact person to Ms. Hope Lee at the Company in respect of any compliance and company secretarial matters of the Company.

During the year, Ms. Hope Lee undertook over 15 hours' professional training to update her skill and knowledge in compliance with the Corporate Governance Code.

Corporate Governance Report (Continued)

Changes in Constitutional Documents

During the year, there are no changes in the constitutional documents of the Company.

Shareholders' Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to the Articles of Association of the Company, any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

And, if a shareholder wishes to propose a person other than a Director retiring for election as a Director at an AGM, the shareholder should deposit a written notice of nomination at the head office of the Company or at the office of the Company's Branch Share Registrar within 7-day period commencing from the day after the dispatch of the AGM notice (or such other period as may be determined and announced by the Director from time to time). The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report.

The Procedures for Sending Enquiries to the Board

Specific enquiries from shareholders to the Board can be sent in writing to the Company at our head office in Hong Kong or by email through InvestorRelations@focusmedia.tv stated on the Company's website.

Communication with Shareholders

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information, news and events about the Group on its website for easy access by the shareholders.

Hong Kong, 19 March 2013

Report of the Directors

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 (the "Consolidated Financial Statements").

Principal Activities

The principal activity of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 26 to the Consolidated Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group as at 31 December 2012 are set out in the Consolidated Financial Statements on pages 53 to 96.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012 (2011: Nil).

Four Years Financial Summary

A summary of the results and assets and liabilities of the Group for the last four financial years is set out on page 8. This summary does not form part of the Consolidated Financial Statements.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 17 to the Consolidated Financial Statements.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 17 to the Consolidated Financial Statements respectively.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$264,854,000.

Report of the Directors (Continued)

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 19.61% of the total sales for the year and sales to the largest customer included therein amounted to approximately 5.99%. Purchases from the Group's five largest suppliers accounted for approximately 54.02% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 33.13%.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the year are set out in note 13 to the Consolidated Financial Statements.

Borrowings

Particulars of borrowings of the Group as at the balance sheet date are set out in note 20 to the Consolidated Financial Statements. As at 31 December 2012, the Group did not have any charges on its assets (2011: Nil).

Interests of the Compliance Adviser

On 25 October 2012, the Company announced that the Company and CIMB Securities (HK) Limited ("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 the 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.

As notified by CICL, the compliance adviser of the Company, neither CICL 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 31 December 2012. Pursuant to the agreement dated 25 October 2012 entered into between CICL and the Company, CICL received fees for acting as the compliance adviser of the Company.

Directors and Directors' Service Contracts

The directors of the Company who hold office during the year and up to the date of this report are:

Executive Directors:

Wong Hong Gay Patrick Jonathan
Ngan Toi Yuk
Tam Kai Kwong Eric
Lee Sze Leong

Non-Executive Director:

Chan Tsze Wah

Independent Non-Executive Directors:

Rosenkranz Eric Jon
Chan Chi Keung Alan
Lien Jown Jing Vincent

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of one year and shall continue thereafter until terminated by, not less than six months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of one year renewable automatically for successive terms of one year, subject to retirement by rotation and re-election at annual general meeting and until terminated by not less than one months' notice in writing served by either party on the other.

No Director has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and all of them are considered to be independent.

In accordance with the Company's Articles of Association, Messrs. Wong Hong Gay Patrick Jonathan ("Mr. Wong"), Tam Kai Kwong Eric ("Mr. Tam") and Rosenkranz Eric Jon ("Mr. Rosenkranz") shall retire from office at the forthcoming annual general meeting. Mr. Wong and Mr. Rosenkranz, being eligible, offer themselves for re-election, at the forthcoming annual general meeting of the Company. Mr. Tam informed the Company that he would not, though eligible, offer himself for re-election as he wishes to devote more attention to his role as General Manager of Focus Media Hong Kong Limited, a wholly owned subsidiary of the Company, overseeing advertising sales, partnership development and strategic planning, and new business initiatives for the Hong Kong operations.

On 19 March 2013, the Company announced that Ms. Chee Huiling Audrey was appointed as an Executive Director of the Company, in place of Mr. Tam, and the appointment will take effect from 8 May 2013.

Report of the Directors (Continued)

Directors' Interests in Contracts

Save as aforesaid, there was no contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

Non-Competition Undertaking

Each of Mr. Wong Hong Gay Patrick Jonathan, iMediaHouse.com Limited and iMediaHouse Asia Limited (the "Controlling Shareholders") has given a non-competition undertaking dated 24 June 2011 in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for so long as he/it and/or his/its associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders of the Company, he/it will not and will procure his/its associates (excluding any members of the Group) not to directly or indirectly carry on, participate, engage or otherwise be interested in any business related to digital OOH advertisement in Hong Kong and/or Singapore which is or may be in competition with the business of any members of the Group from time to time.

Details of the non-competition undertaking are set out in the section headed "Substantial, Controlling and Significant Shareholders" of the Prospectus.

The non-competition undertaking has become effective from the date of the listing of the Company on the Growth Enterprise Market of the Stock Exchange (the "Listing") on 28 July 2011.

The Company has received the confirmation from each of the Controlling Shareholders in respect of their compliance with the terms of non-competition undertaking.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms.

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 21 to 28 of this annual report.

Connected Transactions

The Company had not entered into any connected transaction during the year which is required to be disclosed under the GEM Listing Rules.

Pre-IPO Share Option Scheme and Share Option Scheme

Pursuant to the written resolutions passed by all the shareholders of the Company on 26 March 2011, the Company has adopted the Pre-IPO Share Option Scheme and has conditionally adopted the Share Option Scheme.

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution made by certain executive Directors and employees of the Group and to aid the Company in retaining key and senior employees who have assisted in the development and growth of the Group and for their contribution in connection with the Listing.

Eligible participants of the Pre-IPO Share Option Scheme are any employee (including any director) of the Group or any invested entity, any supplier of goods or services, any customer, any person or entity that provide research, development or other technological support, any shareholders or any participants who contribute to the development and growth of the Group or any invested entity.

The Pre-IPO Share Option Scheme was adopted for a period of 10 years commencing from 26 March 2011 and remains in force until 25 March 2021. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Pre-IPO Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 32,800,000 shares of the Company, which represents 10% of the shares in issue of the Company as at the date of this report.

During the year, no options were granted or exercised under the Pre-IPO Share Option Scheme and a total of 1,869,600 options were lapsed. As at 31 December 2012, the number of shares comprised in the outstanding options remained as 10,430,400.

Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution or potential contribution to the Group.

Eligible participants under the Share Option Scheme include any employee of the Group or any invested entity, any supplier of goods or services, any customer, any person or entity that provide research, development or other technological support, any shareholders or any participants who contribute to the development and growth of the Group or any invested entity.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix V to the Prospectus. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 March 2011 and remains in force until 25 March 2021. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

Report of the Directors (Continued)

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option ("Date of Grant") which must be a trading day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company, being a date not later than 10 business days from the date upon which it is made. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the date of grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 32,800,000 shares, which represents 10% of the shares in issue of the Company as at the date of this report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the GEM Listing Rules.

During the year, no options were granted, exercised or lapsed under the Share Option Scheme, but a total of 5,250,000 options were cancelled or lapsed. As at 31 December 2012, the number of shares comprised in the outstanding options remained as 6,390,000.

Report of the Directors (Continued)

A summary of the movements of the share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme during the year is as follows:

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				Outstanding at 31 December 2012	Market value per share immediately before the date of grant of option	Percentage of total issued share capital as at 31 Dec 2012
					Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year			
Wong Hong Gay Patrick Jonathan	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
Ngan Toi Yuk	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
	30 Jun 2011	Note 2	28 Jul 2011 to 27 July 2021	HK\$0.72	3,280,000	—	—	—	3,280,000	N/A	1.00%
Tam Kai Kwong Eric	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
	30 Jun 2011	Note 2	28 Jul 2011 to 27 July 2021	HK\$0.72	1,804,000	—	—	—	1,804,000	N/A	0.55%
Lee Sze Leong	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
		Note 2	28 Jul 2011 to 27 July 2021	HK\$0.72	1,640,000	—	—	—	1,640,000	N/A	0.50%
Chan Tsze Wah	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
Lien Jown Jing Vincent	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
Rosenkranz Eric Jon	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
Chan Chi Keung Alan	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	328,000	—	—	—	328,000	0.72	0.10%
Employees	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	5,736,000	—	—	1,970,000	3,766,000	0.72	1.15%
	30 Jun 2011	Note 2	28 Jul 2011 to 27 Jul 2021	HK\$0.72	5,576,000	—	—	1,869,600	3,706,400	N/A	1.13%
Consultant	20 Dec 2011	Note 1	20 Dec 2011 to 19 Dec 2021	HK\$0.724	3,280,000	—	—	3,280,000	—	0.72	N/A
Total					23,940,000	—	—	7,119,600	16,820,400		

Additional particulars of the Company's Pre-IPO Share Option Scheme and Share Option Scheme are set out in note 18 to the Consolidated Financial Statements.

Report of the Directors (Continued)

Notes:

1. The options granted under Share Option Scheme shall vest in the relevant option holders in tranches in the following manner:
 - (i) 33% of the option shall vest after first twelve months after date of acceptance.
 - (ii) 33% of the option shall vest after twenty four months after date of acceptance.
 - (iii) 34% of the option shall vest after thirty six months after date of acceptance.

2. The options granted under the Pre-IPO Share Option Scheme shall vest in the relevant option holders 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.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2012 was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

Directors' and Chief Executives' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 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	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
Wong Hong Gay Patrick Jonathan	—	—	169,026,600 (Note)	169,026,600	328,000*	169,354,600	51.63%
Ngan Toi Yuk	—	—	—	—	3,680,000*	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.

Save as disclosed above, as at 31 December 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.

Report of the Directors (Continued)

Substantial Shareholders' Interests and/or Short Position in Shares and Underlying Shares of the Company

As at 31 December 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 (Note 1 & 2)	Beneficial owner	169,026,600	51.53%
iMediaHouse.com Limited (Notes 1 & 2)	Interest of controlled corporation	169,026,600	51.53%
Trade Grand International Limited (Notes 3 & 4)	Beneficial owner	61,500,000	18.75%
Wong's Industrial (Holdings) Limited (Notes 3 & 4)	Interest of controlled corporation	61,500,000	18.75%
Catel (B.V.I.) Limited (Notes 3 & 4)	Interest of controlled corporation	61,500,000	18.75%
Wong's International (Holdings) Limited (Notes 3 & 4)	Interest of controlled corporation	61,500,000	18.75%
Flyer Wonder Limited (Notes 5 & 6)	Investment Manager	31,668,000	9.65%
Asia Private Credit Fund Limited (Notes 5 & 6)	Investment Manager	31,668,000	9.65%
Citigroup Inc.	Person having a security interest in shares	31,668,000	9.65%
Teall Nathaniel EDDS (Notes 7 & 8)	Investment Manager	16,600,000	5.06%
OCP Asia Limited (Notes 7 & 8)	Investment Manager	16,600,000	5.06%
Stuart Michael WILSON (Notes 7 & 8)	Investment Manager	16,600,000	5.06%
Orchard Makira Multi Strategy Master Fund Limited	Beneficial Owner	16,600,000	5.06%

Notes:

- 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.
- The interests of iMH and iMHA are duplicated.
- 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.
7. These shares are directly held by OCP Asia Limited ("OCP Asia") which is owned as to approximately 33% by Teall Nathaniel EDDS and Stuart Michael WILSON respectively. Teall Nathaniel EDDS and Stuart Michael WILSON are therefore deemed to be interested in these shares by virtue of the SFO.
8. The interest of OCP Asia, Teall Nathaniel EDDS and Stuart Michael WILSON 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 31 December 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.

Competition and Conflict of Interests

During the year, 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.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, 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.

Pre-Emptive Rights

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules during the year up to the date of this report.

Report of the Directors (Continued)

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 29 to 38 in this annual report.

Closure of the Register of Members

The Register of Members will be closed from 6 May 2013 (Monday) to 8 May 2013 (Wednesday), both days inclusive, during which period no transfer of shares of the Company shall be registered. In order to qualify for attending the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 May 2013 (Friday).

Auditors

A resolution to re-appoint the retiring auditors, Messrs. PricewaterhouseCoopers, is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

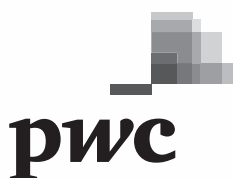
Focus Media Network Limited

Wong Hong Gay Patrick Jonathan

Chairman, CEO and Executive Director

Hong Kong, 19 March 2013

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF FOCUS MEDIA NETWORK LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Focus Media Network Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 19 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK\$	2011 HK\$
Revenue	5	53,661,805	60,032,678
Cost of sales	7	(17,150,733)	(11,435,851)
Gross profit		36,511,072	48,596,827
Other income	6	499,258	193,707
Administrative expenses	7	(64,666,253)	(46,205,116)
Operating (loss)/profit		(27,655,923)	2,585,418
Finance costs	9	(57,448)	(163,252)
(Loss)/profit before income tax		(27,713,371)	2,422,166
Income tax credit/(expenses)	10	385,567	(385,567)
(Loss)/profit for the year attributable to equity holders of the Company		(27,327,804)	2,036,599
Other comprehensive income/(loss)			
Currency translation differences		650,960	(189,346)
Total comprehensive (loss)/income for the year attributable to equity holders of the Company		(26,676,844)	1,847,253
(Loss)/profit for the year attributable to:			
Owners of the Company		(27,049,208)	2,036,599
Non-controlling interests		(278,596)	—
		(27,327,804)	2,036,599
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(26,398,248)	1,847,253
Non-controlling interests		(278,596)	—
		(26,676,844)	1,847,253
(Loss)/earnings per share attributable to owners of the Company	12		
– Basic and diluted		HK cents (8.25)	HK cents 0.72

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK\$	2011 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	13	8,361,024	5,985,210
Prepayment for acquisition of plant and equipment	15	—	4,000,000
Intangible assets	14	3,502,019	3,355,670
		11,863,043	13,340,880
Current assets			
Trade and other receivables	15	21,126,963	33,016,461
Pledged bank deposits	16	233,290	239,379
Cash and bank balances	16	53,614,392	61,191,578
		74,974,645	94,447,418
Total assets		86,837,688	107,788,298
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17(a)	3,280,000	3,280,000
Share premium	17(a)	274,344,873	274,344,873
Other reserves		(171,524,358)	(174,112,428)
Accumulated losses		(36,225,527)	(9,634,289)
Equity attributable to owners of the Company		69,874,988	93,878,156
Non-controlling interests		523,046	—
Total equity		70,398,034	93,878,156

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

As at 31 December 2012

	Notes	2012 HK\$	2011 HK\$
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	20	248,870	645,882
Licence fee payables		440,636	670,917
Deferred income tax liabilities	21	—	385,567
		689,506	1,702,366
Current liabilities			
Trade and other payables	19	12,812,779	11,057,011
Finance lease liabilities	20	496,433	752,923
Deferred revenue		2,440,936	397,842
		15,750,148	12,207,776
Total liabilities		16,439,654	13,910,142
Total equity and liabilities		86,837,688	107,788,298
Net current assets		59,224,497	82,239,642
Total assets less current liabilities		71,087,540	95,580,522

Wong Hong Gay Patrick Jonathan
Director

Ngan Toi Yuk
Director

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012 HK\$	2011 HK\$
ASSETS			
Non-current assets			
Investment in a subsidiary	25	234,943,540	234,943,540
Current assets			
Amounts due from subsidiaries	25	37,521,781	38,602,683
Deposits, prepayments and other receivables		1,299,812	3,011,337
		38,821,593	41,614,020
Total assets		273,765,133	276,557,560
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17(a)	3,280,000	3,280,000
Share premium	17(a)	274,344,873	274,344,873
Warrant reserve		153,496	—
Share option reserve		4,697,494	2,913,880
Accumulated losses	17(b)	(9,490,730)	(4,881,193)
Total equity		272,985,133	275,657,560
Current liabilities			
Accrued charges		780,000	900,000
Total equity and liabilities		273,765,133	276,557,560
Net current assets		38,041,593	40,714,020
Total assets less current liabilities		272,985,133	275,657,560

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to equity holders of the Company							Total HK\$	Non- controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Warrant reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$			
Balance as at 1 January 2011	—	—	55,778,953	(369,512)	—	—	(11,670,888)	43,738,553	—	43,738,553
Comprehensive income										
Profit for the year	—	—	—	—	—	—	2,036,599	2,036,599	—	2,036,599
Other comprehensive loss										
Currency translation differences	—	—	—	(189,346)	—	—	—	(189,346)	—	(189,346)
Total comprehensive income	—	—	—	(189,346)	—	—	2,036,599	1,847,253	—	1,847,253
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	—	—	—	—	—	2,913,880	—	2,913,880	—	2,913,880
Total transactions with owners	3,280,000	274,344,873	(232,246,403)	—	—	2,913,880	—	48,292,350	—	48,292,350
Balance as at 31 December 2011	3,280,000	274,344,873	(176,467,450)	(558,858)	—	2,913,880	(9,634,289)	93,878,156	—	93,878,156
Balance at 1 January 2012	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 year	—	—	—	—	—	—	(27,049,208)	(27,049,208)	(278,596)	(27,327,804)
Other comprehensive income										
Currency translation differences	—	—	—	650,960	—	—	—	650,960	—	650,960
Total comprehensive loss	—	—	—	650,960	—	—	(27,049,208)	(26,398,248)	(278,596)	(26,676,844)
Transactions with owners										
Share option scheme	—	—	—	—	—	1,783,614	457,970	2,241,584	—	2,241,584
Issuance of warrant (Note a)	—	—	—	—	153,496	—	—	153,496	—	153,496
Non-controlling interests	—	—	—	—	—	—	—	—	801,642	801,642
Total transactions with owners	—	—	—	—	153,496	1,783,614	457,970	2,395,080	801,642	3,196,722
Balance at 31 December 2012	3,280,000	274,344,873	(176,467,450)	92,102	153,496	4,697,494	(36,225,527)	69,874,988	523,046	70,398,034

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2012

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 32,800,000 warrants conferring the right to subscribe for up to HK\$26,240,000 in aggregate for the shares of the Company at an issue price of HK\$0.01 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK\$0.80 per share. The 32,800,000 warrants were issued to independent third parties on 2 April 2012. The subscription right will be exercisable during a period of 18 months from the date of issue of the warrants.

On 30 November 2012, the Company entered into the Warrant Subscription Agreement with Credit Suisse (Hong Kong) Limited and Orchard Makira Multi Strategy Master Fund Limited (the "Subscribers"), pursuant to which the Company agreed to issue and the Subscribers agreed to subscribe for 32,800,000 warrants conferring the right to subscribe for up to HK\$42,312,000 in aggregate for the shares of the company at an issue price of HK\$0.0125 per warrant. Each warrant carries the right to subscribe for one ordinary share of the Company at the subscription price of HK\$1.29 per share. The subscription right will be exercisable during a period of 36 months from the date of issue of the warrants.

As of 31 December 2012, no subscription right was exercised.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK\$	2011 HK\$
Cash flows from operating activities			
Cash (used in)/generated from operations	22	(5,786,015)	2,155,034
Net cash (used in)/generated from operating activities		(5,786,015)	2,155,034
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,430,996)	(2,043,450)
Prepayment for plant and equipment		—	(4,000,000)
Purchases of intangible assets		—	(950,000)
Pledged deposit		20,076	(643)
Acquisition of a subsidiary, net of cash acquired		801	—
Interest received		929	471
Net cash used in investing activities		(1,409,190)	(6,993,622)
Cash flows from financing activities			
Gross proceeds from issuance of ordinary shares		—	59,040,100
Payment of share issuance costs		—	(16,358,767)
Proceeds from finance lease		—	505,200
Issuance of warrants		153,496	—
Repayment of finance lease liabilities		(653,502)	(561,716)
Interest paid		(43,624)	(57,527)
Net cash (used in)/generated from financing activities		(543,630)	42,567,290
(Decrease)/Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	16	61,191,578	23,491,230
Exchange gains/(losses) on cash and cash equivalents		161,649	(28,354)
Cash and cash equivalents at end of year		53,614,392	61,191,578

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General Information

Focus Media Network Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 2801, 28th Floor, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 26 to the consolidated financial statements.

The Company’s shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2013.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notwithstanding that the Group has total comprehensive loss of HK\$26,676,844 and net cash outflow of HK\$7,738,835 for the year ended 31 December 2012, the Group had cash and cash equivalents of HK\$53,614,392. Based on the directors’ review of the Group’s financial position as of 31 December 2012 and cash flow forecast, the Group is expected to have sufficient financial resources to satisfy its future working capital requirements for the next twelve months from the date of this report and other financial obligations as and when required. Accordingly, the directors consider that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

- (a) The following new HKFRSs are mandatory for the first time for the financial year beginning on 1 January 2012. The adoption of the standards have no material effect on the Group's results and financial position:

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

- (b) The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the year ended 31 December 2012 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statement — Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	Employee Benefit	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interest in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Apart from the above, a number of improvements and minor amendments to HKFRSs have also been issued by the HKICPA but they are not yet effective for the accounting period ended 31 December 2012 and have not been adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances where it does not have more than 50% voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combination

The Group applies the acquisition method to account for business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive directors that make strategic decisions.

2.4 Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial information is presented in Hong Kong dollars ("HK\$"), which is also the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents, trade and other receivables and trade and other payables are presented in the consolidated statement of comprehensive income within "other income".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated to write off the cost of property, plant and equipment using the straight line method, over their estimated useful lives as below:

LCD monitors	5 years
Furniture and office equipment	5 years
Computer equipment	4–5 years
Leasehold improvements	3–5 years or over the term of lease, whichever is shorter
Motor vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative expenses" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Intellectual properties and licences

Separately acquired rights to use intellectual properties and licences are shown at historical cost. Rights to use intellectual properties and licences have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences and the rights to use intellectual properties and licences over their estimated useful lives of 5 and 10 years respectively.

(b) Goodwill

Goodwill arises on the acquisition of a subsidiary and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.6 Intangible assets (Continued)

(b) Goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank deposits" and "cash and bank balances" in the consolidated statement of financial positions (see Notes 2.10 and 2.11).

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

Hong Kong

The Group operates a defined contribution plan, the mandatory provident fund scheme ("MPF") in Hong Kong, the assets of which are generally held in separate trustee-administered funds.

Singapore

Pursuant to the relevant local regulations in Singapore, the Singapore subsidiary of the Group is required to contribute to the Central Provident Fund based on the statutory funding requirement.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.16 Employee benefits (Continued)

(a) Pension obligations (Continued)

Singapore (Continued)

The Group's contributions to the defined contribution plan are charged to the consolidated statement of comprehensive income in the year incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The Group has no further payment obligations once the contributions have been paid.

(b) Other employee benefits

Salaries, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. The amount recognised as a liability and an expense should be measured at the cost of providing the benefits.

2.17 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.18 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (a) Revenue from advertising services is recognised when the related advertisements are telecasted. Barter revenue on advertising is recognised only when the goods or services being exchanged are of a dissimilar nature. Barter revenue is measured at the fair value of the goods or services rendered, adjusted by the amount of any cash or cash equivalents received or paid. If the fair value of the goods or services rendered cannot be reliably measured, the revenue is measured at the fair value of the goods or services received, again adjusted by the amount of cash or cash equivalents received.
- (b) Interest income is recognised using the effective interest method.
- (c) Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.20 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Notes to the Consolidated Financial Statements (Continued)

2 Summary of Significant Accounting Policies (Continued)

2.20 Leases (Continued)

(b) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and Singapore and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("US\$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operation.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group mitigates this risk by maintaining HK\$ and US\$ bank accounts to pay for the transactions denominated in these currencies.

As at 31 December 2012, if HK\$ had weakened/strengthened by 7% (2011: 7%) against US\$, with all other variables held constant, the Group's results for the year would have increased/decreased by approximately HK\$65,887 (2011: results increased/decreased by HK\$111,310), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated monetary assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and trade and other receivables and amount due from a related company. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

Trade receivables have an average credit period of 60 to 90 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. Individual credit evaluations are performed by the Group on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 15.

The Group also places its deposits with reputable banks to mitigate the risk arising from banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial positions.

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no liquidity risk as the Group has sufficient committed facilities to fund its operations.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand HK\$	1 to 2 years HK\$	2 to 5 years HK\$	Total contractual undiscounted cash flows HK\$	Carrying amount HK\$
At 31 December 2012					
Trade and other payables	12,812,779	—	—	12,812,779	12,812,779
Licence fee payables					
— non-current portion	—	223,574	217,062	440,636	440,636
Finance leases liabilities	518,903	118,728	148,410	786,041	745,303
Total	13,331,682	342,302	365,472	14,039,456	13,998,718
At 31 December 2011					
Trade and other payables	11,057,011	—	—	11,057,011	11,057,011
Licence fee payables					
— non-current portion	—	230,281	440,636	670,917	670,917
Finance leases liabilities	719,010	418,869	267,138	1,405,017	1,398,805
Total	11,776,021	649,150	707,774	13,132,945	13,126,733

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Notes to the Consolidated Financial Statements (Continued)

3 Financial Risk Management (Continued)

3.2 Capital risk management (Continued)

The Group manages its fund conservatively by maintaining a comfortable level of cash and cash equivalents to meet continuous operational needs.

3.3 Fair value estimation

The carrying value less impairment provision of current receivables and payables are a reasonable approximation of their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives of property, plant and equipment

The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

The useful lives are estimated at the time of purchases of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(b) Current and deferred income taxes

The Group is subject to current income tax in Hong Kong and Singapore. Significant judgement is required in determining the relevant provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets are relating to tax losses recognised when management considers to be probable that future taxable profit will be available against which the tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation changes in the period in which such estimate is changed.

Notes to the Consolidated Financial Statements (Continued)

4 Critical accounting estimates and judgements (Continued)

(c) Revenue recognition

The Group recognises revenue when the significant risks and rewards of ownership of any goods and services have been transferred, in accordance with the accounting policies for revenue recognition as set out in Note 2.20. The assessment of when the Group has transferred the significant risks and rewards of ownership to customers and whether the Group acts as a principal requires the examination of the circumstance of the transaction. The Group's advertising clients include advertisers that directly purchase advertisements from the Group and third-party advertising agencies that are retained by some advertisers to place advertisements on the advertisers' behalf. As part of the industry practice, the Group offers agency commissions to these third-party advertising agencies. The agency commissions in which the advertising agencies are entitled to are based on certain percentage of revenue generated by the Group. The Group records revenues on a net basis and the associated agency commissions are recorded as a deduction from the revenue because the advertising agencies are acting on behalf of the advertisers and are also considered as the Group's customers.

(d) Provision for impairment of trade and other receivables

Significant judgement is exercised in the assessment of the collectability of trade and other receivables from customers. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customers' payment pattern including subsequent payments and customers' financial position. If the financial conditions of the customers are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5 Segment Information

The chief operating decision-maker ("CODM") has been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from geographical perspective. The reportable operating segments derive their revenue primarily from the advertising. Management assesses the performance of the following segments:

- Hong Kong
- Singapore

Management assesses the performance of the operating segments based on a measure of gross profits.

Notes to the Consolidated Financial Statements (Continued)

5 Segment Information (Continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2012 and 2011 is as follows:

	Hong Kong HK\$	Singapore HK\$	Total HK\$
For the year ended 31 December 2012			
Segment revenue	33,943,074	21,006,451	54,949,525
Inter-segment revenue	(1,287,720)	—	(1,287,720)
Revenue (from external customers)	32,655,354	21,006,451	53,661,805
Segment results	20,691,513	15,819,559	36,511,072
For the year ended 31 December 2011			
Segment revenue	38,497,855	22,014,349	60,512,204
Inter-segment revenue	(397,199)	(82,327)	(479,526)
Revenue (from external customers)	38,100,656	21,932,022	60,032,678
Segment results	29,653,344	18,943,483	48,596,827

The revenue from external parties reported to the Group's senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

A reconciliation of gross profit to (loss)/profit before income tax is provided as follows:

	2012 HK\$	2011 HK\$
Segment results	36,511,072	48,596,827
Other income	499,258	193,707
Administrative expenses	(64,666,253)	(46,205,116)
Operating (loss)/profit	(27,655,923)	2,585,418
Finance costs	(57,448)	(163,252)
(Loss)/profit before income tax	(27,713,371)	2,422,166

Notes to the Consolidated Financial Statements (Continued)

5 Segment Information (Continued)

The Group is headquartered in Hong Kong. Revenue derived from external customers in Hong Kong and Singapore are HK\$32,655,354 (2011: HK\$38,100,656) and HK\$21,006,451 (2011: HK\$21,932,022) respectively.

The total non-current assets located in Hong Kong and Singapore are HK\$9,738,793 (2011: HK\$11,322,296) and HK\$2,124,250 (2011: HK\$2,018,584) respectively.

None of the customers accounted for 10% or more of the Group's total revenue for the year ended 31 December 2012 (2011: Nil).

Breakdown of revenue from all activities is as follows:

	2012 HK\$	2011 HK\$
Advertising fees	53,661,805	60,032,678

6 Other Income

	2012 HK\$	2011 HK\$
Net exchange gain/(loss)	120,369	(15,714)
Interest income	929	471
Sundry income	377,960	208,950
	499,258	193,707

Notes to the Consolidated Financial Statements (Continued)

7 Expenses by Nature

	2012 HK\$	2011 HK\$
Revenue sharing with landlords of Office and Commercial Networks (Note a)	4,487,959	4,813,523
Revenue sharing with landlords of In-store Network (Note a)	2,327,808	2,278,414
Revenue sharing with Youku Inc.	5,681,875	128,012
Sales commission	3,112,587	2,527,803
Production and installation	1,120,012	1,267,608
Auditor's remuneration	1,376,931	1,295,925
Depreciation (Note 13)	3,157,623	2,200,845
Amortisation (Note 14)	654,492	654,491
Operating lease payments	2,517,668	2,253,584
Employee benefit expenses excluding equity-based compensation (Note 8)	23,133,629	19,768,166
Equity-based compensation	2,241,583	2,902,128
Marketing and promotion expenses	18,287,826	10,105,198
Travelling expenses	1,901,363	1,456,029
Provision for impairment of trade receivables (Note 15)	1,038,747	414,806
Professional parties fees	4,558,818	741,838
Other expenses	6,218,065	4,832,597
Total cost of sales and administrative expenses	81,816,986	57,640,967

Note:

- (a) There are no minimum lease payments to landlords of Office and Commercial Networks and In-store Networks. Revenue sharing with landlords of Office and Commercial Networks and In-store Networks was calculated based on the rates agreed between the Group and landlords and is recognised as cost of sales when the related advertisements are telecasted.

8 Employee Benefit Expenses (Including Director's Emoluments)

	2012 HK\$	2011 HK\$
Salaries, wages and allowances	20,624,969	17,719,479
Pension costs — defined contribution plans	1,575,696	1,359,631
Other post-employment benefits	932,964	689,056
Total	23,133,629	19,768,166

Notes to the Consolidated Financial Statements (Continued)

9 Finance Costs

	2012 HK\$	2011 HK\$
Interest expense		
— Finance lease liabilities wholly repayable within 5 years	43,624	57,527
— Licence fee liabilities wholly repayable within 5 years	13,824	105,725
	57,448	163,252

10 Income Tax (Credit)/Expenses

	2012 HK\$	2011 HK\$
Current income tax	—	—
— Hong Kong profits tax	—	—
— Singapore income tax	—	—
Deferred income tax (Note 21)	(385,567)	385,567
	(385,567)	385,567

No provision for Hong Kong and Singapore profits tax has been made in these consolidated financial statements as the Group has no assessable profits for the year ended 31 December 2012 (2011: Tax losses brought forward from previous years exceed the estimated assessable profits). The profits tax rates for Hong Kong and Singapore are 16.5% (2011: 16.5%) and 17% (2011: 17%) respectively.

The income tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2012 HK\$	2011 HK\$
(Loss)/profit before income tax	(27,713,371)	2,422,166
Tax calculated at domestic tax rates applicable to profits in the respective countries	(4,611,275)	408,174
Income not subject to tax	(153)	(78)
Expenses not deductible for tax purpose	908,732	874,302
Tax loss not recognised	3,317,129	—
Utilisation of previously unrecognised tax losses	—	(896,831)
Income tax expenses	(385,567)	385,567

Notes to the Consolidated Financial Statements (Continued)

11 Directors' and Senior Executive's Emoluments

(a) Directors' emoluments

The emoluments of the directors of the Company for the year ended 31 December 2012 is set out below:

Name of director	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Sales commission HK\$	Bonuses HK\$	Retirement benefit contributions HK\$	Share options HK\$	Total HK\$
Executive Directors							
Wong Hong Gay Patrick Jonathan	—	1,950,000	—	—	13,500	43,761	2,007,261
Ngan Toi Yuk	—	823,557	—	—	13,500	341,852	1,178,909
Tam Kai Kwong Eric	—	811,489	—	—	13,500	207,711	1,032,700
Lee Sze Leong	—	777,290	—	—	13,500	192,807	983,597
Non-executive Directors							
Chan Tsze Wah	50,000	—	—	—	—	43,761	93,761
Independent non-executive Directors							
Rosenkranz Eric Jon	240,000	20,000	—	—	—	43,761	303,761
Lien Jown Jing Vincent	240,000	20,000	—	—	—	43,761	303,761
Chan Chi Keung Alan	240,000	—	—	—	—	43,761	283,761
	770,000	4,402,336	—	—	54,000	961,175	6,187,511

The emoluments of the directors of the Company for the year ended 31 December 2011 is set out below:

Name of director	Fee HK\$	Salaries, allowances and benefits in kind HK\$	Bonuses HK\$	Retirement benefit contributions HK\$	Share options HK\$	Total HK\$
Executive Directors						
Wong Hong Gay Patrick Jonathan	—	1	243,750	—	1,171	244,922
Ngan Toi Yuk	—	722,059	90,675	12,000	767,124	1,591,858
Tam Kai Kwong Eric	—	751,680	93,690	12,000	422,445	1,279,815
Lee Sze Leong	—	720,000	90,000	12,000	384,148	1,206,148
Non-executive Directors						
Chan Tsze Wah	21,381	—	—	—	1,171	22,552
Independent non-executive Directors						
Rosenkranz Eric Jon	102,630	8,603	—	—	1,171	112,404
Lien Jown Jing Vincent	102,630	8,603	—	—	1,171	112,404
Chan Chi Keung Alan	102,630	—	—	—	1,171	103,801
	329,271	2,210,946	518,115	36,000	1,579,572	4,673,904

Notes to the Consolidated Financial Statements (Continued)

11 Directors' and Senior Executive's Emoluments (Continued)

(a) Directors' emoluments (Continued)

During the year, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2011: two) individuals during the year are as follows:

	2012 HK\$	2011 HK\$
Basic salaries and allowances	645,020	1,238,686
Sales commission	122,682	441,158
Pension costs — defined contribution plans	91,410	95,181
Share options	68,574	461,160
	927,686	2,236,185

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
HK\$ Nil to HK\$1,000,000	1	—
HK\$1,000,001 to HK\$1,500,000	—	2
	1	2

12 (Loss)/Earnings Per Share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the results attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/earnings attributable to equity holders of the Company (HK\$)	(27,049,208)	2,036,599
Weighted average number of ordinary share in issue	328,000,000	281,268,961
Basic (loss)/earnings per share	HK cents (8.25)	HK cents 0.72

(b) Diluted

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 December 2012 (2011: same).

Notes to the Consolidated Financial Statements (Continued)

13 Property, Plant and Equipment

	LCD monitors HK\$	Furniture and office equipment HK\$	Computer equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
At 1 January 2011						
Cost	12,051,878	1,042,500	2,301,271	1,296,572	—	16,692,221
Accumulated depreciation	(8,159,230)	(651,848)	(1,292,490)	(451,335)	—	(10,554,903)
Net book amount	3,892,648	390,652	1,008,781	845,237	—	6,137,318
Year ended 31 December 2011						
Opening net book amount	3,892,648	390,652	1,008,781	845,237	—	6,137,318
Additions	1,034,156	82,872	411,222	—	515,200	2,043,450
Depreciation (Note 7)	(1,363,026)	(122,406)	(393,903)	(249,954)	(71,556)	(2,200,845)
Exchange difference on translation	4,721	(695)	810	451	—	5,287
Closing net book amount	3,568,499	350,423	1,026,910	595,734	443,644	5,985,210
At 31 December 2011						
Cost	13,033,039	1,121,237	2,703,515	1,290,935	515,200	18,663,926
Accumulated depreciation	(9,464,540)	(770,814)	(1,676,605)	(695,201)	(71,556)	(12,678,716)
Net book amount	3,568,499	350,423	1,026,910	595,734	443,644	5,985,210
Year ended 31 December 2012						
Opening net book amount	3,568,499	350,423	1,026,910	595,734	443,644	5,985,210
Additions	5,247,797	6,310	176,889	—	—	5,430,996
Depreciation (Note 7)	(2,198,490)	(106,267)	(430,777)	(250,356)	(171,733)	(3,157,623)
Exchange difference on translation	66,802	11,449	17,269	6,921	—	102,441
Closing net book amount	6,684,608	261,915	790,291	352,299	271,911	8,361,024
At 31 December 2012						
Cost	18,564,642	1,150,971	2,932,218	1,316,300	515,200	24,479,331
Accumulated depreciation	(11,880,034)	(889,056)	(2,141,927)	(964,001)	(243,289)	(16,118,307)
Net book amount	6,684,608	261,915	790,291	352,299	271,911	8,361,024

Notes to the Consolidated Financial Statements (Continued)

13 Property, Plant and Equipment (Continued)

All depreciation expenses have been charged in "administrative expenses" in the consolidated statement of comprehensive income.

LCD monitors and motor vehicle include the following amounts where the Group is a lessee under a finance lease:

	2012 HK\$	2011 HK\$
Cost — capitalised finance leases	2,382,400	2,382,400
Accumulated depreciation	(1,114,649)	(569,476)
Net book amount	1,267,751	1,812,924

Notes to the Consolidated Financial Statements (Continued)

14 Intangible Assets

	Rights to use intellectual properties HK\$	Licence HK\$	Goodwill HK\$	Total HK\$
At 1 January 2011				
Cost	2,340,000	—	—	2,340,000
Accumulated amortisation	(432,250)	—	—	(432,250)
Net book amount	1,907,750	—	—	1,907,750
Year ended 31 December 2011				
Opening net book amount	1,907,750	—	—	1,907,750
Additions	—	2,102,411	—	2,102,411
Amortisation (Note 7)	(234,000)	(420,491)	—	(654,491)
Closing net book amount	1,673,750	1,681,920	—	3,355,670
At 31 December 2011				
Cost	2,340,000	2,102,411	—	4,442,411
Accumulated amortisation	(666,250)	(420,491)	—	(1,086,741)
Net book amount	1,673,750	1,681,920	—	3,355,670
Year ended 31 December 2012				
Opening net book amount	1,673,750	1,681,920	—	3,355,670
Additions (Note 27)	—	—	800,841	800,841
Amortisation (Note 7)	(234,000)	(420,492)	—	(654,492)
Closing net book amount	1,439,750	1,261,428	800,841	3,502,019
At 31 December 2012				
Cost	2,340,000	2,102,411	800,841	5,243,252
Accumulated amortisation	(900,250)	(840,983)	—	(1,741,233)
Net book amount	1,439,750	1,261,428	800,841	3,502,019

The amortisation expenses for Rights to use intellectual properties and Licences have been charged in “administrative expenses” and “cost of sales” in the consolidated statement of comprehensive income respectively.

Notes to the Consolidated Financial Statements (Continued)

15 Trade and Other Receivables

	2012 HK\$	2011 HK\$
Trade receivables — third parties	19,792,940	29,005,610
Less: provision for impairment of trade receivables	(1,328,900)	(414,806)
Trade receivables — net	18,464,040	28,590,804
Prepayments, deposits and other receivables	2,662,923	8,425,657
	21,126,963	37,016,461
Less non-current portion: Prepayment for acquisition of plant and equipment	—	(4,000,000)
Current portion	21,126,963	33,016,461

The carrying amounts of trade and other receivables approximate their fair values.

The majority of the Group's sales are mainly on average credit terms of 60 to 90 days. Trade receivables of HK\$11,657,661 (2011: HK\$8,750,273) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Provision for impairment of receivables has been provided for the remaining balance of HK\$1,328,900 (2011: HK\$414,806). The ageing analysis of these trade receivables is as follows:

	2012 HK\$	2011 HK\$
Neither past due nor impaired	6,806,379	19,840,531
0–30 days past due	6,193,912	3,677,996
31–60 days past due	2,190,944	2,145,857
Over 61 days past due	3,272,805	2,926,420
Past due but not impaired (Note a)	11,657,661	8,750,273
	18,464,040	28,590,804

Note:

(a) Past due but not impaired comprised of receivables from 64 customers with 164 campaign orders.

Notes to the Consolidated Financial Statements (Continued)

15 Trade and Other Receivables (Continued)

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

Movements on the Group provision for impairment of trade receivables are as follows:

	2012 HK\$	2011 HK\$
At 1 January	414,806	—
Provision for receivable impairment (Note 7)	1,038,747	414,806
Recovery of impaired receivable during the year	(125,000)	—
Exchange difference	347	—
At 31 December	1,328,900	414,806

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	2012 HK\$	2011 HK\$
HK\$	11,299,351	26,532,133
SG\$	9,827,612	10,484,328
	21,126,963	37,016,461

Notes to the Consolidated Financial Statements (Continued)

16 Cash and Bank Balances and Pledged Bank Deposits

	2012 HK\$	2011 HK\$
Cash at bank	53,614,392	61,191,578
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	53,614,392	61,191,578
Pledged bank deposits (Note a)	233,290	239,379
Maximum exposure to credit risk	53,847,682	61,430,957

The carrying amounts of the cash and bank balances and pledged bank deposits are denominated in the following currencies:

	2012 HK\$	2011 HK\$
HK\$	49,771,924	58,188,911
SG\$	4,030,004	3,196,413
United States dollars ("US\$")	45,754	45,633
	53,847,682	61,430,957

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note:

- (a) As at 31 December 2012, bank deposits of HK\$233,290 (2011: HK\$239,379) were pledged to a bank for guarantees issued by the bank.

Notes to the Consolidated Financial Statements (Continued)

17 Share Capital and Reserves

(a) Share capital and share premium

	Number of ordinary shares	Equivalent nominal value of ordinary share HK\$	Share premium HK\$	Total HK\$
Authorised:				
Ordinary shares of US\$1 each at 28 January 2011 (Note a)	50,000	391,000	—	—
Creation of new authorised shares (Note b)	10,000,000,000	100,000,000	—	—
Cancellation of existing authorised shares (Note b)	(50,000)	(391,000)		
Ordinary shares of HK\$0.01 each At 31 December 2011 and 31 December 2012	10,000,000,000	100,000,000	—	—
Issued and fully paid:				
Ordinary shares of US\$1 each at 28 January 2011 (Note a)	1	8	—	8
Issuance of new shares (Note b)	10,000	100	—	100
Share swap pursuant to the Reorganisation (Note c)	10,000	100	234,943,440	234,943,540
Repurchase of issued share (Note b)	(1)	(8)	—	(8)
Capitalisation issue (Note d)	245,980,000	2,459,800	(2,459,800)	—
Share issued in connection with the Placing (Note e)	82,000,000	820,000	58,220,000	59,040,000
Share issuance costs	—	—	(16,358,767)	(16,358,767)
At 31 December 2011 and 31 December 2012	328,000,000	3,280,000	274,344,873	277,624,873

Notes to the Consolidated Financial Statements (Continued)

17 Share Capital and Reserves (Continued)

(a) Share capital and share premium (Continued)

Notes:

- (a) The Company was incorporated on 28 January 2011 with an authorised share capital of 50,000 ordinary shares of US\$1 each (equivalent to HK\$391,000). On the date of incorporation, the Company issued and allotted 1 ordinary share, credited as fully paid.
- (b) Pursuant to the resolutions in writing of the directors of the Company passed on 24 March 2011, the authorised share capital of the Company was increased by HK\$100,000,000 by the creation of an additional 10,000,000,000 ordinary shares of nominal value of HK\$0.01 each. On the same date, 10,000 ordinary shares with a par value of HK\$0.01 each were issued at par (the "Issue"). Following the Issue, the Company repurchased the 1 existing issued share of US\$1 immediately at a price of US\$1 and cancelled all the 50,000 authorised but unissued share capital.
- (c) This represents the additional shares issued by the Company for the share swap agreements entered into with the shareholders of Focus Media Network Limited, a company incorporated in the British Virgin Islands, under the Reorganisation in light of the Global Offering.
- (d) Pursuant to the resolutions in writing of the shareholders of the Company passed on 26 March 2011, the Company allotted and issued pro rata to its existing shareholders 245,980,000 shares, at par of HK\$0.01 each for the total amount of HK\$2,459,800. The capitalisation of shares was recorded against the share premium account.
- (e) On 28 July 2011, the Company issued 82,000,000 new shares of HK\$0.01 each in relation to the Global Offering. The gross proceeds received by the Company from the Global Offering amounted to approximately HK\$59,040,000.

(b) Accumulated losses — Company

	HK\$
Balance as at 28 January 2011 (Date of incorporation)	—
Total comprehensive loss	(4,881,193)
Balance as at 31 December 2011	(4,881,193)
Balance as at 1 January 2012	(4,881,193)
Total comprehensive loss	(5,067,507)
Transactions with owners	
Share option scheme	457,970
Balance as at 31 December 2012	(9,490,730)

Notes to the Consolidated Financial Statements (Continued)

18 Share-Based Payments

(a) Pre-IPO share option scheme

Pursuant to the written resolutions of the shareholders dated 26 March 2011, selected executive directors and employees are granted a total share option of 12,300,000 shares (the "Pre-IPO Share Option") under the Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). The exercise price per share under the Pre-IPO Share Option Scheme shall be equal to the placing price (i.e. HK\$0.72 per share). Each of the Pre-IPO Share Option has a 10-year exercisable period, from 28 July 2011, and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 27 July 2021 ("Expiry Date").

Commencing from the date on which trading in the shares of the Company first commenced on the Hong Kong Stock Exchange, being the Listing Date, the expiry of the first six months, each month thereafter up to the eleventh month and the twelfth month after the Listing Date, the relevant grantee may exercise options up to 50%, additional 8% each month and 100% respectively.

The fair value of the share options granted on 30 June 2011, determined using the binominal model (the "Model"), ranges from HK\$0.31 to HK\$0.36 per option. The significant inputs into the Model were share price of HK\$0.72 at the grant date, exercise price shown above, expected dividend yield rate of 0%, an expected option life of ten years and expected volatility of 73%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operation.

See Note 8 for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2012		2011	
	Average exercise price in HK\$ per share option	Number of share options	Average exercise price in HK\$ per share option	Number of share options
At 1 January	0.72	12,300,000	—	—
Granted	—	—	0.72	12,300,000
Forfeited	0.72	(1,869,600)	—	—
Exercised	—	—	—	—
At 31 December	0.72	10,430,400	0.72	12,300,000

Out of the 1,869,600 outstanding options (2011: 12,300,000), 1,869,600 options (2011: Nil) were exercisable.

Notes to the Consolidated Financial Statements (Continued)

18 Share-Based Payments (Continued)

(b) Share option scheme

Pursuant to the written resolutions of the shareholders dated 26 March 2011, the Company conditionally approved and adopted a share option scheme (the "Share Option Scheme"). The Share Option Scheme became effective on 28 July 2011 when the Company's shares are listed on the Hong Kong Stock Exchange.

On 20 December 2011, selected executive directors, employees and financial advisor were granted a total share option of 11,640,000 shares under the Share Option Scheme. The exercise price per share under the Share Option Scheme shall be equal to the quoted market share price of HK\$0.724 per share. Each of the share option has a 10-year exercisable period, from 20 December 2011, and ending on the expiration of the tenth anniversary of the date of acceptance of the grant of options, on 19 December 2021 ("Expiry Date").

Commencing from the date of acceptance of the grant (the "Acceptance Date"), the expiry of first, second and third anniversaries of the Acceptance Date, the relevant grantee may exercise options up to 33%, 66% and 100% respectively.

The fair value of the share options granted on 20 December 2011, determined using the binominal model (the "Model"), ranges from HK\$0.19 to HK\$0.21 per option. The significant inputs into the Model were share price of HK\$0.724 at the grant date, exercise price shown above, expected dividend yield rate of 3%, an expected option life of ten years and expected volatility of 47.7%. The volatility measured is based on the average annualised standard deviations of the continuously compounded rates of return on the share prices of comparable companies with similar business operation.

See Note 8 for the total expense recognised in the consolidated statement of comprehensive income for share options granted to directors and employees. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2012		2011	
	Average exercise price in HK\$ per share option	Number of share options	Average exercise price in HK\$ per share option	Number of share options
At 1 January	0.724	11,640,000	—	—
Granted	—	—	0.724	11,640,000
Forfeited	0.724	(5,250,000)	—	—
Exercised	—	—	—	—
At 31 December	0.724	6,390,000	0.724	11,640,000

Out of 5,250,000 outstanding options (2011: 11,640,000), 2,108,700 options (2011: Nil) were exercisable.

Notes to the Consolidated Financial Statements (Continued)

19 Trade and Other Payables

	2012 HK\$	2011 HK\$
Trade payables	49,191	46,500
Licence fee payable	831,324	587,219
Other payables	2,721,945	2,702,751
Accruals	9,210,319	7,720,541
	12,812,779	11,057,011

The carrying amounts of the trade and other payables approximate their fair values.

Payment terms granted by suppliers ranged from 60 to 90 days after end of the month in which the relevant purchase occurred.

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

	2012 HK\$	2011 HK\$
Current	48,141	2,250
0–30 days past due	—	8,750
Over 60 days past due	1,050	35,500
	49,191	46,500

The carrying amounts of the trade and other payables are denominated in the following currencies:

	2012 HK\$	2011 HK\$
HK\$	7,585,501	6,696,038
SG\$	4,054,283	2,410,973
US\$	1,172,995	1,950,000
	12,812,779	11,057,011

Notes to the Consolidated Financial Statements (Continued)

20 Finance Lease Liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2012 HK\$	2011 HK\$
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	518,952	796,435
Later than 1 year and no later than 5 years	267,138	686,007
	785,090	1,482,442
Future finance charges on finance leases	(40,787)	(83,637)
	745,303	1,398,805
Present value of finance lease liabilities	745,303	1,398,805
The present value of finance lease liabilities is as follows:		
No later than 1 year	496,433	752,923
Later than 1 year and no later than 5 years	248,870	645,882
	745,303	1,398,805

The finance lease obligations are secured by certain plant and equipment of the Group (Note 13).

The carrying amount of the finance lease liabilities is denominated in HK\$.

21 Deferred Income Tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2012 HK\$	2011 HK\$
Deferred tax assets	535,819	107,330
Deferred tax liabilities	(535,819)	(492,897)
	—	(385,567)

Notes to the Consolidated Financial Statements (Continued)

21 Deferred Income Tax (Continued)

The gross movement on the deferred income tax account is as follows:

	2012 HK\$	2011 HK\$
At 1 January	(385,567)	—
(Charged)/credited to the consolidated statement of comprehensive income arising from deferred income tax liabilities	(42,922)	16,462
Credited/(charged) to the consolidated statement of comprehensive income arising from deferred income tax assets	428,489	(402,029)
At 31 December	—	(385,567)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	
	2012 HK\$	2011 HK\$
At 1 January	492,897	509,359
Charged/(credited) to the consolidated statement of comprehensive income	42,922	(16,462)
At 31 December	535,819	492,897

Deferred income tax assets

	Tax loss	
	2012 HK\$	2011 HK\$
At 1 January	107,330	509,359
Credited/(charged) to the consolidated statement of comprehensive income	428,489	(402,029)
At 31 December	535,819	107,330

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$26,013,658 (2011: HK\$8,920,785) to carry forward against future taxable income. The tax losses have no expiry date under the current tax legislation.

Notes to the Consolidated Financial Statements (Continued)

22 Cash (Used In)/Generated From Operations

	2012 HK\$	2011 HK\$
(Loss)/profit before income tax	(27,713,371)	2,422,166
Adjustments for:		
Depreciation and amortisation charges	3,812,115	2,855,336
Share-based compensation	2,241,583	2,913,880
Interest income	(929)	(471)
Finance costs	57,448	163,252
Operating (loss)/profit before working capital changes	(21,603,154)	8,354,163
Changes in working capital:		
Trade and other receivables	12,494,254	(8,694,404)
Trade and other payables	1,331,434	2,126,007
Deferred revenue	1,991,451	369,268
Cash (used in)/generated from operations	(5,786,015)	2,155,034

23 Operating Lease Commitments

The total future minimum lease payments under non-cancellable operating leases in respect of the factory are payable as follows:

	2012 HK\$	2011 HK\$
No later than 1 year	617,265	2,593,801
Later than 1 year and no later than 5 years	—	600,602
	617,265	3,194,403

24 Related Party Transactions

The ultimate holding company of the Company is iMediaHouse.com Limited, a company incorporated in the British Virgin Islands. The intermediate holding company of the Company is iMediaHouse Asia Limited, a company incorporated in Hong Kong.

As of 31 December 2012 and 2011, the Group has no other non-trade receivable from or payable to related parties.

Notes to the Consolidated Financial Statements (Continued)

25 Investment in and Amounts Due from Subsidiaries

	Company 2012 HK\$	2011 HK\$
Unlisted investment, at cost	234,943,540	234,943,540
Due from subsidiaries	37,521,781	38,602,683

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

26 Particulars of Principal Subsidiaries

As at 31 December 2012, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Class of share held	Place of incorporation/ establishment	Place of operation	Particular of issued share capital/paid up registered capital	Attributable equity interest of the Group (%)	Principal activities
Direct subsidiary						
Focus Media Network Limited	Ordinary	British Virgin Islands	British Virgin Islands	HK\$780	100	Investment holding
Indirect subsidiaries						
Focus Media Hong Kong Limited	Ordinary	Hong Kong	Hong Kong	HK\$10,000	100	Provision of out-of-home advertising services
Focus Media Singapore Pte. Ltd.	Ordinary	Singapore	Singapore	SG\$10	100	Provision of out-of-home advertising services
Creative Execution Limited	Ordinary	Hong Kong	Hong Kong	HK\$10,000	100	Provision of out-of-home advertising services
Creative Execution (Pte.) Limited	Ordinary	Singapore	Singapore	SG\$10	100	Provision of out-of-home advertising services
DOupons Limited (Note 27)	Ordinary	Hong Kong	Hong Kong	HK\$10,000	19.9	Provision of out-of-home advertising services

Notes to the Consolidated Financial Statements (Continued)

27 Business Combination

On 1 April 2012, the Group acquired 19.9% of the shares of DOupons Limited and the right to acquire the remaining 80.1% of the shares at fair value for cash consideration of HK\$1,000,000.

The goodwill is attributable to the acquired business and the synergies expected to arise after the acquisition by the Group.

Details of net assets acquired, non-controlling interest and goodwill are as follows:

	HK\$
Purchase consideration:	
— Cash paid	1,000,000
Fair value of net assets acquired:	
— Cash and cash equivalents	(1,000,801)
Non-controlling interest	801,642
Goodwill (Note 14)	800,841
Outflow of cash to acquire business, net of cash acquired:	
— Cash consideration	(1,000,000)
— Cash and cash equivalents acquired	1,000,801
Net cash inflow on acquisition	801

The revenue and loss included in the consolidated statement of comprehensive income since 1 April 2012 contributed by acquired business was HK\$2,093 and HK\$345,389 respectively.



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