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
股票代號 : 8112









2016

3RD QUARTERLY REPORT 第三季業績報告

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

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Business Review and Prospects

Focus Media Network Limited (the "Company") together with its subsidiaries (collectively the "Group") is a well-established digital Out-of-Home ("OOH") media company in Hong Kong and Singapore, with an operating history since April 2004. The Group 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 the Group deploys its digital flat-panel displays, the Group is the largest digital OOH media company in Hong Kong and Singapore. As of 30 September 2016, the Group has deployed its flat-panel displays at 1,582 venues in Hong Kong and Singapore.

During the nine months ended 30 September 2016, the number of venues in which the Group deployed its flat-panel displays continued to experience growth over the corresponding period of the previous year.

Region	**Network**	**Nine months ended 30 September 2016**	Nine months ended 30 September 2015	% Change
Hong Kong	Office and Commercial Network	**601**	612	–1.80%
Hong Kong	In-store Network (Mannings)	**246**	249	–1.20%
Hong Kong	Residential Network	**217**	172	26.16%
Singapore	Office and Commercial Network	**518**	515	0.58%
Total number of venues		**1,582**	1,548	2.20%

For the nine months ended 30 September 2016, the Group has deployed its branded flat-panel displays at 1,119 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 246 Mannings retail chain-stores in Hong Kong under its In-store digital OOH media network.

Further leveraging on the existing infrastructure and its relationships with Hong Kong's leading real-estate developers, the Group expanded its digital OOH media network at major private residential complexes (Residential digital OOH media network) in Hong Kong. As of 30 September 2016, the Group has deployed its branded flat-panel displays at 217 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its Static OOH Billboard media network, the Group has recently renewed and continues to hold the exclusive advertising sales rights to both the Tsim Sha Tsui ("TST") Interchange Subways and the Middle Road Subway (total three subways); this underground transport hub beneath one of the busiest tourists and business districts in Hong Kong connects the TST MTR station and the East TST MTR station. In addition, the Group continues to hold the exclusive advertising sales rights to the billboard along the super-long pedestrian walkway leading to Knutsford Terrace at TST. Knutsford Terrace has been dubbed the "Lan Kwai Fong" of Kowloon, a popular dining/nightlife place and an entertainment hub in the heart of TST, with a strip of international/local restaurants and bars catering to both locals and tourists.

The Group continues to hold the exclusive advertising sales rights to a brand new billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This new billboard is located right next to the iconic Mandarin Oriental Hotel at the heart of the Central District, the financial hub of Hong Kong; it faces all vehicle traffic passing through Central towards the east and west side of Hong Kong Island.

As for its large format LED OOH media network, the Group continues to hold the exclusive operating and advertising sales rights to the mega-size LED screen at One Raffles Place ("ORP"), fronting Raffles Green; ORP is one of the three tallest buildings in Singapore and is a beacon in the heart of Singapore's financial district. As well, the Group continues to hold the exclusive advertising sales rights (for static and digital) to the new walkway at Orchard Gateway. It forms part of the underpass that links directly to the Somerset MRT station and also to both sides of Orchard Road. Orchard Gateway is the one-and-only shopping mall that straddles both sides of Orchard Road and is linked by a glass tubular bridge and an underpass — forming a "gateway" to the bustling shopping belt in Singapore.

The Group has decided not to renew the partnership with HDB Shopping Centres and Watson In-store Network in Singapore in order to better deploy its resources to pursue new static OOH sites, which the Group will announce progressively in due course.

The Group will continue to pursue the expansion of its digital OOH media networks, adding progressively one venue at a time as well as pursue new static OOH sites under its Static OOH billboard media network.

Since the founding of the Group in April 2004, the Group has been in the business of media, advertising and content production. In February 2012, the Group has also been involved in the production of micro-movies for leading gaming, integrated resorts and tourism brands around the regions, for media placements on Youku Tudou Inc., China's largest online television company, and other leading online video portals and social media platforms in China. The Group has since been exploring possible strategies to further extend the Group's media business, as well as identifying and acquiring suitable investment or business projects related to the field of mass media, film production and distribution, new media content production and entertainment related projects. In view of the increasing needs for media contents in China due to the increasing popularity of social media networks, increasing number of IMAX cinemas and improved accessibility to media contents and also the outstanding box office records in relation to "superhero" genre of motion pictures worldwide, the Group has attempted to make a big step forward to expand its business scope and transform itself into a media content provider.

In August 2015, the Group successfully secured its first-ever acquisition, the acquisition of Ricco Media Investments Limited ("RMI") which indirectly holds a 75% equity interest in Stan Lee Global Entertainment, LLC ("SLGE"). The remaining 25% of SLGE is owned by POW! Entertainment, Inc. ("POW!"), a company publicly-listed in the United States of America ("USA"), in which Mr. Stan Lee ("Stan") is the founder, chairman and chief creative officer. It is an extremely rare opportunity to be able to partner with Stan, the co-creator of many of Marvel's superheroes for the production of superhero motion pictures. Stan's co-creations include Spider-Man™, The Incredible Hulk™, X-Men™, The Fantastic Four™, Iron Man™, Avengers™* and hundreds of others. Stan currently remains the Chairman Emeritus of Marvel Entertainment, LLC, a wholly-owned subsidiary of The Walt Disney Company.

POW! is a multimedia production and licensing company that creates and licenses animated and live-action fantasy and superhero entertainment content and merchandise, leveraging the creative output and brand image of Stan. POW! develops Stan's originally created projects for traditional entertainment media including feature length films in live action and animation, DVD, live entertainment, television programming, merchandising and new media such as online digital programming and video games.

* These are the registered trademarks and characters of Marvel Characters, Inc.

In partnership with Stan and POW!, SLGE is engaged in the business of film development, production and distribution and holds intellectual property rights for motion picture development in the form of concept, treatment and/or film script among which three are already in the development phase with a view to commence formal shooting in the next two years, namely The Annihilator (written by Jim Hecht of "Ice Age: Melt Down" and "Thundercats"), Realm (written by Alex Litvak of "The Three Musketeers" and "Predators"), and Replicator & Antilight (written by Chris Shafer and Paul Vicknair of "Before We Go" and "Playing It Cool"). Having witnessed the phenomenal success of Stan's superhero characters as well as the upcoming schedule of new releases of superhero motion pictures, the Company is highly confident that superhero motion pictures and Stan's superhero characters will continue to be in demand.

Among the abovementioned three motion picture projects, the script development for the "The Annihilator" and "Realm" is at the final stage and these two films are expected to be completed and released in 2018. The Company estimated that the "Replicator & Antilight" would be completed and released in 2019. To better elaborate the Company's business model in relation to its investment in SLGE, the Company does not participate in the actual production or filming of the motion pictures being developed, such is left to the collaborating partners, which are the studios in Hollywood and/or China, which the Company believes to have the requisite credibility, experience and track record in film making. Neither would the Company participate in the actual distribution or marketing of the motion pictures. All the Company does is to develop the intellectual properties, i.e. the superhero characters that SLGE owns. Once the motion picture projects have been developed, the Company will partner with the leading studios, and the Company will only participate as one of the production equity investors of the production cost.

The production budget per film is expected to be approximately HK$387 million to HK$504 million. The total budget for the production of these films is estimated as not less than HK$1,356 million. The Company intends to finance all the development costs of the motion picture projects and contribute approximately 20% of production cost in the form of production equity and the total funding required by the Company to complete the three films amounting to approximately HK$342 million. The shortfall in production costs (apart from the capital provided and/or to be provided by the Company), will be financed by the collaborating studios (up to 60% of production cost) and by independent production equity investors (up to 20% of production cost). The Company understands this is the typical and prevailing funding model for the film industry in the USA.

The Directors are optimistic with the future outlook of the media industry and will continue to explore attractive investment opportunities to strengthen the Group's businesses.

To cope with the needs for business operations and development, the Company will from time to time review its funding requirement and explore fund raising opportunities including but not limited to equity financing/debt financing opportunities in the market as and when required.

On 8 August 2016, the Company entered into a discloseable transaction for the acquisition of a target group which is principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers. In view of the potential development of the Shenzhen-Hong Kong Stock Connect, it is expected that the securities market in Hong Kong can benefit from this mutual market access scheme, in which more capital will flow into the securities market of Hong Kong. Envisaging the promising prospect of the financial services industry, the management believes that the acquisition will broaden the revenue sources of the Group and to its benefit in the long run. As at the date of this report, save for the necessary approval from the Securities and Futures Commission, all other conditions precedent of the sale and purchase agreement in respect of the above acquisition have been fulfilled. For details of the transaction, please refer to the Company's announcement dated 8 August 2016.

Financial Review

(including RMI Group)	**Nine months ended 30 September 2016 (Unaudited) HK$**	Nine months ended 30 September 2015 (Unaudited) HK$	% Change
Revenue	**57,519,555**	50,748,969	13%
Gross Profit	**35,615,737**	28,752,008	24%
EBITDA(Note 1)	**(5,168,503)**	(4,610,697)	N/A
Net Loss	**(13,739,743)**	(10,864,553)	N/A

(excluding RMI Group)	**Nine months ended 30 September 2016 (Unaudited) HK$**	Nine months ended 30 September 2015 (Unaudited) HK$	% Change
Revenue	**57,519,555**	50,748,969	13%
Gross Profit	**35,615,737**	28,752,008	24%
EBITDA(Note 1)	**(651,051)**	(4,609,644)	N/A
Net Loss	**(9,153,593)**	(10,862,937)	N/A

Note 1: EBITDA represents earnings before finance costs, income tax, depreciation of property, plant and equipment, amortisation of equity-based compensation, share of profits/(losses) of joint ventures, amortisation of intangible assets and net of the total comprehensive loss for the period attributable to non-controlling interests. 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.

For the nine months ended 30 September 2016, the Group experienced a growth in both revenue and gross profit over the corresponding period of the previous year. The Group's revenue was approximately HK$57.5 million, representing an increase of approximately 13% over the corresponding period of the previous year.

The Group's gross profit for the nine months ended 30 September 2016 was approximately HK$35.6 million, representing an increase of approximately 24% over the corresponding period of the previous year. Gross profit margin increased approximately from 57% to 62% mainly due to lower cost-of-sales associated with the better performing media network.

The Group's total operating expenses for the nine months ended 30 September 2016 were approximately HK$46.1 million, representing an increase of approximately 19% over the corresponding period of the previous year. The increase was due to the office rental and headcount of RMI and its subsidiaries (together, "RMI Group") which was acquired in August 2015. Currently, RMI Group has three films in development stage and it is expected that further financial resources would be incurred in this business prior to the release of films in 2018 and 2019. Management is confident that the films would contribute positive return to the Group in the future.

The Group's negative EBITDA amounted to approximately HK$5.2 million for the nine months ended 30 September 2016 as compared to the Group's negative EBITDA amounted to approximately HK$4.6 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK$13.1 million for the nine months ended 30 September 2016 as compared to a loss attributable to owners of the Company of approximately HK$10.2 million for the corresponding period of the previous year.

Liquidity and financial resources

During the period under review, the Group financed its daily operations with internally generated resources, short-term loans and net proceeds from the rights issue completed on 26 May 2016 (the "Rights Issue"). The Group had net current assets of approximately HK$79.9 million (31 December 2015: net current liabilities of HK$29.7 million) and cash and cash equivalents amounted to approximately HK$77 million as at 30 September 2016 (31 December 2015: HK$28.2 million), mainly attributing to net proceeds from the Rights Issue after full repayment of its short-term loans and accrued interests. The Group had no borrowings outstanding as at 30 September 2016.

As disclosed in the Company's circular dated 14 October 2016 (the "Circular"), the Board proposed to implement a share consolidation involving the consolidation of every ten (10) shares of HK$0.01 each in the issued and unissued share capital of the Company into one (1) consolidated share of HK$0.10 each (the "Consolidated Share(s)") in the issued and unissued share capital of the Company (the "Share Consolidation"), subject to (among others) the approval of the shareholders of the Company (the "Shareholders"). As stated in the Circular, it is believed that the Share Consolidation will make investing in the Consolidated Shares more attractive to a broader range of institutional and professional investors to support the on-going and long term financing activities and business development of the Group. After obtaining the Shareholders' approval at an extraordinary general meeting of the Company held on 1 November 2016, all conditions of the Share Consolidation have been fulfilled, accordingly, the Share Consolidation has become effective from 2 November 2016. The Company intends to explore again the fund raising opportunities with more favourable terms to the Company. Yet, no binding terms or agreement have been reached or entered into by the Company with any third parties as regards any fund raising plan of the Company as at the date of this report.

Gearing ratio

The gearing ratio of the Group, calculated as the percentage of the Group's total borrowings over shareholders' fund, was nil as at 30 September 2016 (31 December 2015: 51%).

Foreign exchange

For the nine months ended 30 September 2016, 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. Despite most of RMI Group's business transactions, assets and liabilities were denominated in US dollars, the foreign currency risk associated with RMI Group was not significant due to the linked exchange rate system. The Group will monitor its foreign currency exposure closely. During the period under review, 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. The capital of the Company comprises ordinary shares and capital reserves. As at 30 September 2016, the Company had 2,294,184,480 shares of HK$0.01 each in issue.

Upon the Share Consolidation becoming effective on 2 November 2016, the Company's authorised share capital of HK$100,000,000 is currently divided into 1,000,000,000 shares of HK$0.10 each and its issued share capital of HK$22,941,844.80 is currently divided into 229,418,448 shares of HK$0.10 each. Please refer to the Company's announcements dated 6 October 2016 and 1 November 2016 and the Circular for details.

Dividend

The board of directors of the Company (the "Board") does not recommend the payment of any dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

Information on employees

As at 30 September 2016, the Group had 92 employees (30 September 2015: 82), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the nine months ended 30 September 2016 were approximately HK$26.1 million, including equity-based compensation, as compared to approximately HK$19.8 million for the corresponding period of the previous year. 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 nine months ended 30 September 2016, 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.

Significant investments held

Except for investment in subsidiaries and joint ventures, the Group did not hold any significant investment in equity interest in any company during the nine months ended 30 September 2016.

Material acquisitions and disposals of subsidiaries and affiliated companies and future plans for material investments

On 8 August 2016, the Company pursued a discloseable transaction for the acquisition of a target group which is principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers, in order to make an entry into the financial services industry. As at the date of this report, save for the necessary approval from the Securities and Futures Commission, all other conditions precedent of the sale and purchase agreement in respect of the above acquisition have been fulfilled. Upon completion, the target company and its 80% owned subsidiary will become an indirect wholly-owned subsidiary and an indirect subsidiary of the Company. Please refer the Company's announcement dated 8 August 2016 for details.

Save as disclosed herein, during the period under review, the Group did not make any material acquisition or disposal, nor had other plans for material investments and capital assets.

Charges on assets

As at 30 September 2016, the Group did not have any charges on its assets (31 December 2015: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2016 (31 December 2015: Nil).

Highlights

- The Group's revenue for the nine months ended 30 September 2016 was approximately HK$57.5 million, representing an increase of approximately 13% over the corresponding period of the previous year.

- The Group's gross profit for the nine months ended 30 September 2016 was approximately HK$35.6 million, representing an increase of approximately 24% over the corresponding period of the previous year. Gross profit margin increased approximately from 57% to 62%.

- The Group's total operating expenses for the nine months ended 30 September 2016 were approximately HK$46.1 million, representing an increase of approximately 19% over the corresponding period of the previous year.

- The Group's negative EBITDA amounted to approximately HK$5.2 million for the nine months ended 30 September 2016 as compared to the Group's negative EBITDA amounted to approximately HK$4.6 million for the corresponding period of the previous year.

- The Group recorded a loss attributable to owners of the Company of approximately HK$13.1 million for the nine months ended 30 September 2016 as compared to a loss attributable to owners of the Company of approximately HK$10.2 million for the nine months ended 30 September 2015.

- Loss per share for the nine months ended 30 September 2016 was HK cents 0.95 as compared to loss per share of HK cents 1.87 (as restated) for the corresponding period of the previous year.

- As at 30 September 2016, the "film deposits and rights" amounted to approximately HK$138 million, with an addition of approximately HK$1.1 million (applied as to approximately HK$458,000 for "The Annihilator" and as to approximately HK$683,000 for "Realm") during the period under review.

- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016.

Unaudited Third Quarterly Results

The Board is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2016 together with comparative unaudited figures for the corresponding period ended 30 September 2015, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 30 September 2016

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2016 (Unaudited) HK$**	2015 (Unaudited) HK$	**2016 (Unaudited) HK$**	2015 (Unaudited) HK$
Revenue	3	**20,903,553**	20,319,500	**57,519,555**	50,748,969
Cost of sales		**(8,505,126)**	(7,989,193)	**(21,903,818)**	(21,996,961)
Gross profit		**12,398,427**	12,330,307	**35,615,737**	28,752,008
Other income		**246,947**	30,712	**431,054**	517,721
Administrative expenses		**(15,576,778)**	(13,124,195)	**(46,087,890)**	(38,726,308)
Operating loss		**(2,931,404)**	(763,176)	**(10,041,099)**	(9,456,579)
Finance costs		**(14)**	(710,308)	**(3,698,644)**	(717,226)
Share of losses of joint ventures		**—**	(417,666)	**—**	(690,748)
Loss before income tax		**(2,931,418)**	(1,891,150)	**(13,739,743)**	(10,864,553)
Income tax expenses	4	**—**	—	**—**	—
Loss for the period		**(2,931,418)**	(1,891,150)	**(13,739,743)**	(10,864,553)
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		**(261,827)**	(1,392,418)	**853,854**	(1,737,582)
Total comprehensive loss for the period		**(3,193,245)**	(3,283,568)	**(12,885,889)**	(12,602,135)
Loss for the period attributable to:					
Owners of the Company		**(2,708,261)**	(1,699,828)	**(13,116,164)**	(10,236,010)
Non-controlling interests		**(223,157)**	(191,322)	**(623,579)**	(628,543)
		(2,931,418)	(1,891,150)	**(13,739,743)**	(10,864,553)
Total comprehensive loss for the period attributable to:					
Owners of the Company		**(2,970,015)**	(3,092,246)	**(12,262,188)**	(11,973,592)
Non-controlling interests		**(223,230)**	(191,322)	**(623,701)**	(628,543)
		(3,193,245)	(3,283,568)	**(12,885,889)**	(12,602,135)
Loss per share attributable to owners of the Company	6		(As restated)		(As restated)
Basic and diluted (HK cents)		**(0.12)**	(0.30)	**(0.95)**	(1.87)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2016

	Attributable to owners of the Company									
	Share capital HK$	Share premium HK$	Capital reserve HK$	Exchange reserve HK$	Warrant reserve HK$	Share option reserve HK$	Accumulated losses HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 31 December 2014 and 1 January 2015 (audited)	3,280,000	274,344,873	(176,467,450)	(1,140,843)	67,900	4,455,455	(44,389,291)	60,150,644	(189,338)	59,961,306
Changes in equity for the nine months ended 30 September 2015										
Comprehensive loss										
Loss for the period	—	—	—	—	—	—	(10,236,010)	(10,236,010)	(628,543)	(10,864,553)
Other comprehensive loss										
Currency translation differences	—	—	—	(1,737,582)	—	—	—	(1,737,582)	—	(1,737,582)
Total comprehensive loss	—	—	—	(1,737,582)	—	—	(10,236,010)	(11,973,592)	(628,543)	(12,602,135)
Transactions with owners										
Issue of shares	543,641	66,597,718	—	—	—	—	—	67,141,359	—	67,141,359
Total transactions with owners	543,641	66,597,718	—	—	—	—	—	67,141,359	—	67,141,359
Balance at 30 September 2015 (unaudited)	3,823,641	340,942,591	(176,467,450)	(2,878,425)	67,900	4,455,455	(54,625,301)	115,318,411	(817,881)	114,500,530
Balance at 31 December 2015 and 1 January 2016 (audited)	**3,823,641**	**333,877,058**	**(176,467,450)**	**(2,668,609)**	**—**	**2,020,536**	**(62,328,187)**	**98,256,989**	**30,440,966**	**128,697,955**
Changes in equity for the nine months ended 30 September 2016										
Comprehensive loss										
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(13,116,164)**	**(13,116,164)**	**(623,579)**	**(13,739,743)**
Other comprehensive income/loss										
Currency translation differences	**—**	**—**	**—**	**853,976**	**—**	**—**	**—**	**853,976**	**(122)**	**853,854**
Total comprehensive loss	**—**	**—**	**—**	**853,976**	**—**	**—**	**(13,116,164)**	**(12,262,188)**	**(623,701)**	**(12,885,889)**
Transactions with owners										
Rights Issue										
— Proceeds from shares issued	**19,118,204**	**110,885,583**	**—**	**—**	**—**	**—**	**—**	**130,003,787**	**—**	**130,003,787**
— Rights issue expenses	**—**	**(4,234,095)**	**—**	**—**	**—**	**—**	**—**	**(4,234,095)**	**—**	**(4,234,095)**
Total transactions with owners	**19,118,204**	**106,651,488**	**—**	**—**	**—**	**—**	**—**	**125,769,692**	**—**	**125,769,692**
Balance at 30 September 2016 (unaudited)	**22,941,845**	**440,528,546**	**(176,467,450)**	**(1,814,633)**	**—**	**2,020,536**	**(75,444,351)**	**211,764,493**	**29,817,265**	**241,581,758**

For the nine months ended 30 September 2016

1 General information

The Company was incorporated in the Cayman Islands on 28 January 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is 6th Floor, 603, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries are provision of out-of-home advertising services, retail of skin care products, provision of early childhood education and film development, production and distribution.

The Company has its primary listing on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated third quarterly financial information have been reviewed by the Company's audit committee.

2 Basis of preparation and principal accounting policies

The unaudited condensed consolidated third quarterly financial information for the nine months ended 30 September 2016 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

These unaudited condensed consolidated third quarterly financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2015, which have been prepared in accordance with the HKFRSs.

These unaudited condensed consolidated third quarterly financial information are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

(a) The following new or revised HKFRSs are mandatory for the first time for the financial period beginning 1 January 2016. The adoption of these new or revised HKFRSs have no material effect on the Group's results and financial position:

Annual Improvements Project	Annual Improvements 2012–2014 Cycle
HKAS 1 (Amendment)	Disclosure Initiative
HKFRS 14	Regulatory Deferral Accounts
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 10, HKFRS 12, and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKAS 27 (Amendment)	Equity Method in Separate Financial Statement

2 Basis of preparation and principal accounting policies (Continued)

(b) The following new or revised HKFRSs have been published but are not yet effective for the period ended 30 September 2016 and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 10 and HKAS 38 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Apart from the above, a number of improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended 30 September 2016 and have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretation 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.

3 Revenue and 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.

In current period, management regularly reviews the operating results from a perspective of different activities. Management assesses the performance of the following operating segments:

— Advertising and media
— Retail of skin care products
— Provision of early childhood education
— Film development, production and distribution

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

For the nine months ended 30 September 2016

3 Revenue and segment information (Continued)

The segment information provided to the CODM for the reportable segments for the nine months ended 30 September 2016 and 2015 is as follows:

	Advertising and media (Unaudited) HK$	Retail of skin care products (Unaudited) HK$	Provision of early childhood education (Unaudited) HK$	Film development, production and distribution (Unaudited) HK$	Total (Unaudited) HK$
For the nine months ended 30 September 2016					
Segment revenue	**53,812,713**	**3,117,033**	**589,809**	**—**	**57,519,555**
Segment results	**33,852,536**	**1,182,746**	**580,455**	**—**	**35,615,737**
For the nine months ended 30 September 2015					
Segment revenue	48,517,276	1,917,653	314,040	—	50,748,969
Segment results	27,867,727	578,947	305,334	—	28,752,008

4 Income tax expenses

No provision for Hong Kong, Singapore and the United States profits tax has been made in these unaudited consolidated third quarterly financial information as the Group did not derive any assessable profits for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2015: 16.5%), 17% (2015: 17%) and 40% (2015: 40%) respectively.

5 Dividends

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: Nil).

6 Loss per share

(a) Basic

Basic loss per share for the nine months ended 30 September 2016 and 2015 are calculated by dividing the results attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited) (As restated)
Loss attributable to owners of the Company (HK$)	**(13,116,164)**	(10,236,010)
Weighted average number of ordinary shares in issue	**1,384,446,775**	547,810,687
Basic loss per share (HK cents)	**(0.95)**	(1.87)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the nine months ended 30 September 2016 and 2015 as the outstanding share options during the periods are anti-dilutive.

On 26 May 2016, the Group completed rights issue of 1,911,820,400 rights shares at HK$0.068 per rights share on the basis of five rights share for every one existing share held on 3 May 2016. The basic and diluted loss per share for the period ended 30 September 2015 have been restated to take into account the rights issue in which the rights shares are issued at a discount on market price subsequent to the period ended 30 September 2015. The weighted average number of ordinary shares outstanding was retrospectively increased to reflect the discount in the rights issue. For the period ended 30 September 2015, the weighted average number of ordinary shares in issue was 349,990,161 before restatement.

7 Subsequent events

On 1 November 2016, a share consolidation involving the consolidation of every 10 shares of HK$0.01 each in the issued and unissued share capital of the Company into 1 consolidated share of HK$0.10 each in the issued and unissued share capital of the Company was duly passed by the shareholders of the Company at an extraordinary general meeting. With effect from 2 November 2016, the authorised share capital of the Company amounting to HK$100,000,000 is divided into 1,000,000,000 shares of HK$0.10 each; out of which HK$22,941,844.80 as issued and fully paid with 229,418,448 shares of HK$0.10 each in issue.

8 Approval of the unaudited condensed consolidated third quarterly financial information

The unaudited condensed consolidated third quarterly financial information was approved by the Board on 9 November 2016.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 September 2016, 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")), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

(i) Long positions in the ordinary shares of HK$0.01 each of the Company (the "Shares"), Underlying Shares and debentures of the Company

	Nature/Capacity of Interests						
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests in Shares**	**Total interests in underlying Shares**	**Aggregate interests**	**Approximate % of the Company's issued share capital**
Wong Hong Gay Patrick Jonathan	—	—	138,159,600 (Note 1)	138,159,600	814,345*	138,973,945	6.06%
Chan Chi Keung Alan	—	—	—	—	814,345*	814,345	0.04%

* Being personal interests attributable to interests in the share options granted by the Company pursuant to the Share Option Scheme adopted on 26 March 2011, particulars of the Directors' interests in such share options are set out below in the section headed "Long positions in share options of the Company".

Notes:

1. These shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 67.09% by iMediaHouse.com Limited which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO.

2. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 2,294,184,480 shares in issue as at 30 September 2016.

3. With effect from 2 November 2016, the total number of shares of the Company in issue has become 229,418,448 as a result of the Share Consolidation. The number of shares held by each Shareholder has been adjusted accordingly.

(ii) Long positions in share options of the Company

Name of directors	Date of grant	Exercisable period	Exercisable Price per Share HK$	Number of share options/underlying Shares: Outstanding at 1 July 2016	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30 September 2016
Wong Hong Gay Patrick Jonathan	20/12/2011	20/12/2011 to 19/12/2021	0.292 (Note 1)	814,345 (Note 1)	—	—	—	814,345 (Note 2)
Chan Chi Keung Alan	20/12/2011	20/12/2011 to 19/12/2021	0.292 (Note 1)	814,345 (Note 1)	—	—	—	814,345 (Note 3)

Notes:

1. With effect from 26 May 2016, the exercise price and number of share options have been adjusted as a result of completion of the rights issue.

2. With effect from 2 November 2016, the exercise price and number of share options have been further adjusted as a result of completion of the Share Consolidation. Accordingly, Mr. Wong Hong Gay Patrick Jonathan had interests in share options entitling him to subscribe up to 81,434 shares of HK$0.10 each at the exercise price of HK$2.92 per share as at the date of this report. For details, please refer to the Company's announcement dated 1 November 2016.

3. With effect from 2 November 2016, the exercise price and number of share options have been further adjusted as a result of completion of the Share Consolidation. Accordingly, Mr. Chan Chi Keung Alan had interests in share options entitling him to subscribe up to 81,434 shares of HK$0.10 each at the exercise price of HK$2.92 per share as at the date of this report. For details, please refer to the Company's announcement dated 1 November 2016.

Save as disclosed above, as at 30 September 2016, 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) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Position in Shares and Underlying Shares of the Company

As at 30 September 2016, as far as the Directors or chief executives of the Company are aware, the following persons (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions, in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares

Name of shareholders	Capacity	Number of shares held	Approximate % of shareholding in the Company
Ricco Media (Holdings) Limited (Notes 1 & 2)	Beneficial owner	224,830,080	9.80%
Ricco Capital (Holdings) Limited (Notes 1 & 2)	Interest of controlled corporation	224,830,080	9.80%
Wu Siu Chung (Notes 1 & 2)	Interest of controlled corporation	224,830,080	9.80%
iMediaHouse Asia Limited (Notes 3 & 4)	Beneficial owner	138,159,600	6.02%
iMediaHouse.com Limited (Notes 3 & 4)	Interest of controlled corporation	138,159,600	6.02%

Notes:

1. These shares are directly held by Ricco Media (Holdings) Limited ("RML") which is wholly owned by Ricco Capital (Holdings) Limited ("RCL"), which is in turn wholly owned by Mr. Wu Siu Chung ("Mr. Wu"). RCL and Mr. Wu are therefore deemed to be interested on these shares by virtue of the SFO.

2. The interests of RCL, RML and Mr. Wu are duplicated.

3. These shares are directly held by iMediaHouse Asia Limited ("iMHA") which is owned as to approximately 67.09% by iMediaHouse.com Limited ("iMH") which is in turn wholly owned by Mr. Wong Hong Gay Patrick Jonathan ("Mr. Wong"). The remaining interest in iMHA is held by entities ultimately wholly owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in these shares by virtue of the SFO, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

4. The interests of iMH and IMHA are duplicated.

5. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 2,294,184,480 shares in issue as at 30 September 2016.

6. With effect from 2 November 2016, the total number of shares of the Company in issue has become 229,418,448 as a result of the Share Consolidation. The number of shares held by each Shareholder has been adjusted accordingly.

Save as disclosed above, as at 30 September 2016, no other person (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

During the nine months ended 30 September 2016, 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.

Competition and Conflict of Interests

During the nine months ended 30 September 2016, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 30 September 2016.

Corporate Governance Practices

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

During the nine months ended 30 September 2016, the Company had complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code as contained in Appendix 15 to 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.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with the GEM Listing Rules requirements from time to time. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditors; to review the financial statements and to provide material advice in respect of financial reporting. It was also delegated the authority and responsibility to review the Company's risk management and internal control systems so as to make recommendations to the Board if necessary. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lee Chi Hwa Joshua (chairman of the Audit Committee), Mr. Chan Chi Keung Alan and Ms. Lau Mei Ying.

The unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2016 have not been audited or reviewed by the Company's auditor, PricewaterhouseCoopers, but have been reviewed by the audit committee of the Company, which is of the opinion that the third quarterly financial information comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 9 November 2016

As at the date of this report, the Board comprises Mr. Wong Hong Gay Patrick Jonathan (Chairman), Mr. Chen Xiaoping, Mr. Mock Wai Yin, Ms. Lam Hoi Yu Nicki and Mr. Wang Jun as executive directors; and Mr. Chan Chi Keung Alan, Mr. Lee Chi Hwa Joshua and Ms. Lau Mei Ying as independent non-executive directors.