

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)

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2017

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.

CONTENTS

Management Discussion and Analysis	2
Highlights	9
Unaudited Condensed Consolidated Statement of Comprehensive Income	10
Unaudited Condensed Consolidated Statement of Changes in Equity	11
Notes to the Unaudited Condensed Consolidated Financial Information	12
Other Information	16

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

ADVERTISING AND MEDIA BUSINESS

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 2017, the Group has deployed its flat-panel displays at 1,601 venues in Hong Kong and Singapore.

During the nine months ended 30 September 2017, the number of venues in which the Group deployed its flat-panel over the corresponding period of the previous year is shown as follows:

Region	Network	Nine months ended 30 September 2017	Nine months ended 30 September 2016
Hong Kong	Office and Commercial Network	601	601
Hong Kong	In-store Network (Mannings)	244	246
Hong Kong	Residential Network	245	217
Singapore	Office and Commercial Network	511	518
Total number of venues		1,601	1,582

For the nine months ended 30 September 2017, the Group has deployed its branded flat-panel displays at 1,112 office and commercial buildings in Hong Kong and Singapore under its Office & Commercial Building digital OOH media network, and at 244 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 2017, the Group has deployed its branded flat-panel displays at 245 major private residential complexes in Hong Kong under its Residential digital OOH media network.

Under its OOH Billboard media network in Hong Kong, the Group 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 also holds the exclusive advertising sales rights to a billboard on the rooftop and sidewall of the pedestrian subway between Charter Road and Connaught Road Central in Hong Kong. This 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.

Under its OOH Billboard media network in Singapore, the Group recently entered a partnership with Galaxis, situated at One-North Buona Vista and secured the exclusive advertising sales rights for all media and event spaces. Galaxis is a state-of-the-art business space that offers the very best in contemporary urban living and retail activities within a central plaza. Sitting above One-North MRT Station, Galaxis is the gateway to all other commercial buildings within the One-North business hub, which is a 200 hectares development strategically positioned in the heart of Singapore, designed to host a cluster of world-class research facilities and business park space.

The Group continues to hold the exclusive advertising sales rights to a brand new billboard at AZ @ Paya Lebar building; centered within the districts of Paya Lebar, Ubi and Tai Seng; which is one of the busiest business and industrial hubs in Singapore, it faces heavy vehicle traffic at the cross junction of Paya Lebar Road, Ubi Avenue 2 and Circuit Link. Paya Lebar Road is also the main gateway to a major expressway where the exit and entry points are just 500 meters away. This billboard also targets foot-traffic flowing in and out of Mcpherson MRT station, which is directly opposite of AZ @ Paya Lebar building.

As well, 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 also holds the exclusive advertising sales rights to a billboard at Fortune Center in Singapore; it is located in the middle of the bustling Bugis District and faces all vehicle traffic at the cross junction of Middle Road and Waterloo Street. The Group also holds the exclusive advertising sales rights to a large format LED illuminated billboard at The Arcade in Singapore as well as the exclusive sales rights to the venue for event marketing. The Arcade faces the busy Raffles Green, just above the Raffles MRT station, located right in the heart of Singapore’s financial district. Furthermore, the Group holds the exclusive advertising sales rights to a billboard on the façade of Furama City Centre Hotel in Singapore. This site is located in the heart of vibrant Chinatown, with a rich culture and long-standing history. The front lit large format billboard is visible to vehicle and human traffic along the extremely busy Eu Tong Sen Street and New Bridge Road.

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.

SECURITIES BROKERAGE BUSINESS

In 2016, the Group acquired Glory Creator Limited (“GCL”) and its non-wholly owned subsidiary, Cornerstone Securities Limited (“CSL”), collectively “GCL Group”. CSL is a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance. CSL is principally engaged in the provision of securities brokerage service for products offered by the Stock Exchange to its customers.

After the completion of the acquisition in November 2016, the Company has started its footprint in the financial services industry. Following the launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, it is expected that the securities market in Hong Kong would be benefited from these mutual market access schemes, in which more capital would flow into the securities market of Hong Kong and would have a positive impact to the stock market turnover in the long run. Based on the above, it is believed that the Group’s securities brokerage business would be benefited from this market trend.

CSL obtained the approval from the Securities and Futures Commission (“SFC”) regarding the margin financing business in March 2017 and kick-started the margin financing business with the Group’s internal resources. To meet with the demand of margin loan financing from CSL’s clients, the Group financed the capital injection to CSL using short term loan financing of approximately HK\$44 million in April 2017. The margin loan financing growth rapidly and in term of the utilisation rate of the margin loan financing, it reached the ceiling of the requirements under the Securities and Futures (Financial Resources) Rules (the “Financial Resources Rules”) on liquid capital of licensed corporations shortly after the capital injection. Taking into account of the promising trend in the growth of the margin loan financing business and the fact that contribution from margin financing income is typically the core component for a securities company. The Company proposed a rights issue (“Rights Issue”) on the basis of four rights shares for every one existing share at the subscription price of HK\$0.23 per rights share to raise net proceeds of approximately HK\$204 million, out of which not more than approximately HK\$138 million would be applied for further capital injection to CSL to accelerate the business growth of CSL and expansion of the securities brokerage business. The rights issue was completed in September 2017. For details of the Rights Issue, please refer to the Company’s announcements dated between 29 June 2017 and 21 September 2017 (collectively the “Rights Issue Announcements”), the circular date 3 August 2017 and the prospectus dated 31 August 2017.

For the period under review, the total revenue from the securities brokerage business amounted to approximately HK\$5.4 million including the interest income of approximately HK\$2.5 million. As at 30 September 2017, the total net assets of CSL’s client accounts amounted to approximately HK\$3,200 million and the net assets for margin clients and cash clients were approximately HK\$1,300 million and HK\$1,900 million respectively. The margin loan financing of approximately HK\$79.3 million was granted to only 5 margin clients with net assets of approximately HK\$571 million, represented the margin loan to net assets ratio was about 13.9%, indicating that there is still room for CSL to expand the scale of its margin financing business. As at the date of this report, the amount of margin loan has exceeded HK\$100 million. The management is confident that the net proceeds from rights issue would strengthen the financial resources of CSL and contribute the development of its margin financing in the near future.

Backed up by the experienced CSL management team and its sound reputation in the industry, the Directors are optimistic that CSL will continue to widen its customer base through the extensive business platform and will enlarge its presence in the industry with advantage synergies aiming to optimize returns to the Company and its shareholders.

FILM DEVELOPMENT, PRODUCTION AND DISTRIBUTION BUSINESS

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 began involving 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 Company 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. 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 script development phase with a view to commence formal shooting in the next two to three years, namely Realm (written by Alex Litvak of "The Three Musketeers" and "Predators"). The Annihilator (written by Jim Hecht of "Ice Age: Melt Down" and "Thundercats"), 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 confident that superhero motion pictures and Stan's superhero characters will continue to be in demand.

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 leading studios to produce the films, and the Company will only participate as one of the production equity investors of the production cost.

Pursuant to the above arrangement for financial resources, the Company will have to bear all the development costs of the motion picture projects and part of the production costs in the form of production equity. The Company would require large-scale funding to finance the shortfall in production costs once and when the films are ready for production. It will consider various capital raising alternatives, such as equity or debt financing, to meet the funding requirements for the development and production of the film projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

	Nine months ended 30 September 2017 (Unaudited) HK\$	Nine months ended 30 September 2016 (Unaudited) HK\$	% Change
Revenue	67,537,232	57,519,555	17%
Gross Profit	40,080,200	35,615,737	13%
EBITDA ^(Note 1)	(10,968,859)	(5,168,503)	N/A
Net Loss	(17,344,202)	(13,739,743)	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 2017, 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\$68 million, representing an increase of approximately 17% over the corresponding period of the previous year.

The Group's gross profit for the nine months ended 30 September 2017 was approximately HK\$40 million, representing an increase of approximately 13% over the corresponding period of the previous year. Gross profit margin was dropped slightly from approximately 62% to approximately 60% due to the increase in rental costs of some billboards.

The Group's total operating expenses for the nine months ended 30 September 2017 were approximately HK\$57 million, representing an increase of approximately 24% over the corresponding period of the previous year. The increase was due to the administrative expenses related to the Group's securities brokerage business which was acquired in November 2016.

The Group's negative EBITDA amounted to approximately HK\$11 million for the nine months ended 30 September 2017 as compared to the Group's negative EBITDA amounted to approximately HK\$5.2 million for the corresponding period of the previous year.

The Group recorded a loss attributable to owners of the Company of approximately HK\$17 million for the nine months ended 30 September 2017 as compared to a loss attributable to owners of the Company of approximately HK\$13 million for the corresponding period of the previous year.

COMPLETION OF RIGHTS ISSUE

On 22 September 2017, the Company completed a rights issue of four rights shares for every one existing share held by shareholders of the Company at the record date of 30 August 2017 at the subscription price of HK\$0.23 per rights share and a total of 917,673,792 rights shares of the Company were issued (the "Rights Issue"). The Group raised a total of approximately HK\$211 million from the Rights Issue, after deducting related expenses of approximately HK\$7 million, net proceeds of approximately HK\$204 million was received. For details of the Rights Issue, please refer to the Company's announcements dated between 29 June 2017 and 21 September 2017, its circular dated 3 August 2017 and prospectus dated 31 August 2017 respectively.

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. Up to the date of this report, the Group has utilised approximately HK\$45 million for full repayment of the principal amounts and accrued interests of its short term loans, and approximately HK\$138 million as capital injection to CSL to develop its margin loan financing business. The Group had net current assets of approximately HK\$278 million (31 December 2016: net current assets of HK\$76.8 million) and cash and cash equivalents amounted to approximately HK\$192 million as at 30 September 2017 (31 December 2016: HK\$73.2 million). The Group had no borrowings outstanding as at 30 September 2017.

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 2017 (31 December 2016: Nil).

FOREIGN EXCHANGE

For the nine months ended 30 September 2017, 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. The Company's proposal to increase the authorized share capital from HK\$100 million to HK\$500 million was approved by the shareholders during the extraordinary general meeting on 22 August 2017. Following the completion of Rights Issue on 22 September 2017, the Company has 1,147,092,240 shares of HK\$0.10 each in issue.

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 2017 (nine months ended 30 September 2016: Nil).

INFORMATION ON EMPLOYEES

As at 30 September 2017, the Group had 107 employees (30 September 2016: 92), including the executive Directors. Total staff costs of the Group (including Directors' emoluments) for the nine months ended 30 September 2017 were approximately HK\$31 million, including equity-based compensation, as compared to approximately HK\$26.1 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 2017, 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, associated companies and joint ventures, the Group did not hold any significant investment in equity interest in any company during the nine months ended 30 September 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS

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 2017, the Group did not have any charges on its assets (31 December 2016: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2017 (31 December 2016: Nil).

HIGHLIGHTS

- The Group's revenue for the nine months ended 30 September 2017 was approximately HK\$68 million, representing an increase of approximately 17% over the corresponding period of the previous year.
- The Group's gross profit for the nine months ended 30 September 2017 was approximately HK\$40 million, representing an increase of approximately 13% over the corresponding period of the previous year. Gross profit margin was dropped slightly from 62% to 60% due to the increase in rental costs of some billboards.
- The Group's total operating expenses for the nine months ended 30 September 2017 were approximately HK\$57 million, representing an increase of approximately 24% over the corresponding period of the previous year. The increase was mainly due to the administrative expenses related to the Group's securities business which was acquired in November 2016.
- The Group's negative EBITDA amounted to approximately HK\$11 million for the nine months ended 30 September 2017 as compared to the Group's negative EBITDA amounted to approximately HK\$5.2 million for the corresponding period of the previous year.
- The Group recorded a loss attributable to owners of the Company of approximately HK\$17 million for the nine months ended 30 September 2017 as compared to a loss attributable to owners of the Company of approximately HK\$13 million for the nine months ended 30 September 2016.
- Loss per share for the nine months ended 30 September 2017 was HK cents 6.30 as compared to loss per share of HK cents 9.01 (as restated) for the corresponding period of the previous year.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017.

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 2017 together with comparative unaudited figures for the corresponding period ended 30 September 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Revenue	3	23,827,785	20,903,553	67,537,232	57,519,555
Cost of sales		(9,957,919)	(8,505,126)	(27,457,032)	(21,903,818)
Gross profit		13,869,866	12,398,427	40,080,200	35,615,737
Other income		729,461	246,947	1,399,740	431,054
Administrative expenses		(19,570,293)	(15,576,778)	(57,090,408)	(46,087,890)
Operating loss		(4,970,966)	(2,931,404)	(15,610,468)	(10,041,099)
Finance costs		(797,275)	(14)	(1,617,001)	(3,698,644)
Share of loss of associate		–	–	(116,733)	–
Loss before income tax		(5,768,241)	(2,931,418)	(17,344,202)	(13,739,743)
Income tax expenses	4	–	–	–	–
Loss for the period		(5,768,241)	(2,931,418)	(17,344,202)	(13,739,743)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		215,532	(261,827)	1,363,569	853,854
Total comprehensive loss for the period		(5,552,709)	(3,193,245)	(15,980,633)	(12,885,889)
Loss for the period attributable to:					
Owners of the Company		(5,704,934)	(2,708,261)	(17,077,274)	(13,116,164)
Non-controlling interests		(63,307)	(223,157)	(266,928)	(623,579)
		(5,768,241)	(2,931,418)	(17,344,202)	(13,739,743)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(5,489,136)	(2,970,015)	(15,713,383)	(12,262,188)
Non-controlling interests		(63,573)	(223,230)	(267,250)	(623,701)
		(5,552,709)	(3,193,245)	(15,980,633)	(12,885,889)
Loss per share attributable to owners of the Company	6		As restated		As restated
Basic and diluted (HK cents)		(1.73)	(1.12)	(6.30)	(9.01)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

	Attributable to owners of the Company							Non-controlling interests HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Share option reserve HK\$	Accumulated losses HK\$	Total HK\$		
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
Balance at 31 December 2016 and 1 January 2017 (audited)	22,941,845	440,528,546	(176,467,450)	(3,192,246)	2,020,536	(81,788,809)	204,042,422	35,470,661	239,513,083
Changes in equity for the nine months ended 30 September 2017									
Comprehensive loss									
Loss for the period	-	-	-	-	-	(17,077,274)	(17,077,274)	(266,928)	(17,344,202)
Other comprehensive income/(loss)									
Currency translation differences	-	-	-	1,363,891	-	-	1,363,891	(322)	1,363,569
Total comprehensive loss	-	-	-	1,363,891	-	(17,077,274)	(15,713,383)	(267,250)	(15,980,633)
Transactions with owners									
Rights Issue									
— Proceeds from rights issue	91,767,379	119,297,593	-	-	-	-	211,064,972	-	211,064,972
— Rights issue expenses	-	(6,893,907)	-	-	-	-	(6,893,907)	-	(6,893,907)
Capital contribution from Non-controlling interests	-	-	-	-	-	-	-	11,300,000	11,300,000
Total transactions with owners	91,767,379	112,403,686	-	-	-	-	204,171,065	11,300,000	215,471,065
Balance at 30 September 2017 (unaudited)	114,709,224	552,932,232	(176,467,450)	(1,828,355)	2,020,536	(98,866,083)	392,500,104	46,503,411	439,003,515

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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 (i) provision of out-of-home advertising services, (ii) retail of skin care products, (iii) provision of early childhood education, (iv) film development, production and distribution, (v) securities brokerage business.

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 2017 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS", which include the Hong Kong Accounting Standards (the "HKASs")) 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 2016, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

Changes in accounting policy and disclosures

The following new or revised HKFRSs and HKASs are mandatory for the first time for the financial period beginning 1 January 2017. The adoption of these new or revised HKFRSs have no material effect on the Group's results and financial position:

HKAS 7 (Amendments)	Statement of cashflows
HKFRS 12 (Amendments)	Income taxes

The Group has not applied the new and revised HKFRSs and HKASs, which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and HKASs but is not yet in a position to state whether these new and revised HKFRSs and HKASs would have a material impact on its results of operations 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.

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
- Securities brokerage business

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

3 REVENUE AND SEGMENT INFORMATION (Continued)

The segment information provided to the CODM for the reportable segments for the nine months ended 30 September 2017 and 2016 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\$	Securities brokerage business (Unaudited) HK\$	Total (Unaudited) HK\$
For the nine months ended 30 September 2017						
Segment revenue	54,186,110	6,317,054	1,842,527	-	5,191,541	67,537,232
Segment results	30,200,629	2,919,911	1,768,119	-	5,191,541	40,080,200
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

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 2017 (nine months ended 30 September 2016: Nil). The profits tax rates for Hong Kong, Singapore and the United States are 16.5% (2016: 16.5%), 17% (2016: 17%) and 40% (2016: 40%) respectively.

5 DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

6 LOSS PER SHARE

(a) Basic

Basic loss per share for the nine months ended 30 September 2017 and 2016 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.

On 22 September 2017, the Group completed rights issue of 917,673,792 rights shares at HK\$0.23 per rights share on the basis of four rights share for every one existing share held on 30 August 2017. The basic and diluted loss per share for the period ended 30 September 2016 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 2016. 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 2016, the weighted average number of ordinary shares in issue was 1,384,446,775 before restatement.

	Nine months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited) (As restated)
Loss attributable to owners of the Company (HK\$)	(17,077,274)	(13,116,164)
Weighted average number of ordinary share in issue	271,096,973	145,574,579
Basic loss per share (HK cents)	(6.30)	(9.01)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the nine months ended 30 September 2017 and 2016 as the outstanding share options during the periods are anti-dilutive.

7 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 2017.

OTHER INFORMATION

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 2017, 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\$0.10 each of the Company (the "Shares"), Underlying Shares and debentures of the Company

Name of directors	Nature of interests	Number of Shares held	Number of underlying Shares held (Note 1)	Approximate % of shareholding In the Company (Note 4)	
				Total	
An Xilei	Interest of controlled corporation (Note 2)	340,000,000	–	340,000,000	29.64%
Wong Hong Gay Patrick Jonathan	Interest of controlled corporation (Note 3)	69,079,800	–	69,079,800	6.02%
	Beneficial owner	–	85,627	85,627	0.01%
Chan Chi Keung Alan	Beneficial owner	–	85,627	85,627	0.01%

Notes:

- 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 Directors' interests in such share options are set out in the section headed "Long Positions in Share Options of the Company" below.
- These Shares are directly held by Profit Cosmo Group Limited, which is owned as to 40% by Mr. An.Xilei ("Mr. An"). Mr. An is therefore deemed to be interested in these shares by virtue of the SFO.
- 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.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,147,092,240 Shares in issue as at 30 September 2017.

(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 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30 September 2017
Wong Hong Gay Patrick Jonathan	20/12/2011	20/12/2011 to 19/12/2021	2.920 (Note)	81,434 (Note)	-	-	-	85,627 (Note)
Chan Chi Keung Alan	20/12/2011	20/12/2011 to 19/12/2021	2.920 (Note)	81,434 (Note)	-	-	-	85,627 (Note)

Note: With effect from 22 September 2017, the exercise price and number of share options have been adjusted as a result of completion of the Rights Issue. Accordingly, each of Mr. Wong Hong Gay Patrick Jonathan and Mr. Chan Chi Keung Alan had interests in share options entitling him to subscribe up to 85,627 shares of HK\$0.10 each at the exercise price of HK\$2.777 per share as at 30 September 2017 up to the date of this report. For details regarding adjustments to the share options, please refer to the Company's announcement dated 21 September 2017.

Save as disclosed above, as at 30 September 2017, 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.

OTHER INFORMATION (CONTINUED)

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

As at 30 September 2017, 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
Profit Cosmo Group Limited (Note 1)	Beneficial owner	340,000,000	29.64%
Liu Yanhong (Note 1)	Interest of controlled corporation	340,000,000	29.64%
iMediaHouse Asia Limited (Note 2)	Beneficial owner	69,079,800	6.02%
iMediaHouse.com Limited (Note 2)	Interest of controlled corporation	69,079,800	6.02%

Notes:

1. These Shares are directly held by Profit Cosmo Group Limited ("PCG") which is owned as to 60% by Mr. Liu Yanhong ("Mr. Liu") and 40% by Mr. An Xilei ("Mr. An"). Mr. Liu and Mr. An are therefore deemed to be interested in these Shares by virtue of the SFO. Mr. An's interests are 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.
2. 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. iMH and Mr. Wong are therefore deemed to be interested in these shares by virtue of the SFO. Mr. Wong's interests are 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.
3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 1,147,092,240 Shares in issue as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, 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 2017, 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 2017, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective close 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 2017.

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 2017, 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 the following:

Under Code Provision E.1.2, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Mr. An Xilei, the Chairman, was unable to attend the Company's annual general meeting held on 12 May 2017 (the "AGM") owing to business reasons. Mr. Chan Chi Keung Alan, an independent non-executive director of the Company, was authorised by the Chairman to present to chair the meeting.

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 2017 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
An Xilei
Chairman

Hong Kong, 9 November 2017

As at the date of this report, the Board comprises Mr. An Xilei (Chairman), Mr. Wong Hong Gay Patrick Jonathan, 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.

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