THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Outdoor Media Group Limited (the "Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

COMG

CHINA OUTDOOR MEDIA GROUP LIMITED
中國戶外媒體集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 254)

VERY SUBSTANTIAL ACQUISITION

A notice convening an extraordinary general meeting of the Company to be held at Unit 4102, 41/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Monday, 19 April 2010 at 11:00 a.m. is set out on pages 162 to 163 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting if you so wish.

26 March 2010

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of the Sale Share pursuant to the Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Agreement"	the conditional sale and purchase agreement dated 4 December 2009 entered into between the Purchaser, the Vendor and the Guarantor relating to the sale and purchase of the Sale Share
"Ample"	Ample Appraisal Limited, an independent valuer
"Athens Capital"	Athens Capital Limited, a corporation licensed to conduct type 1 and 6 regulated activities as defined under the SFO
"BCI"	business climate index
"Board"	board of the Directors
"Bondholder(s)"	the holder(s) of the Convertible Bonds
"Business Day"	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CAGR"	compound annual growth rate
"Company"	China Outdoor Media Group Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	100,000,000 new Shares to be allotted and issued by the Company in accordance with the terms and conditions of the Agreement

"Control Agreements"	the Loan Agreement, the Share Charge, the Irrevocable Share Transfer Agreement, the Shareholders Undertaking, the Director Undertaking and the Management Agreement
"Convertible Bonds"	the convertible bonds in the principal amount of HK$1,228,890,000, to be issued by the Company in favour of the Vendor or its nominee(s) in accordance with the terms and conditions of the Agreement
"Conversion Price"	the initial conversion price of HK$0.130 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds
"Conversion Shares"	the Shares to be issued upon the exercise of the conversion rights in respect of the Convertible Bonds
"Director(s)"	director(s) of the Company
"Director Undertaking"	the undertaking dated 9 October 2009 executed by Mr Liu, the executive director of the PRC Company, and confirmed by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target that Mr Liu will act according to the instructions of the Target upon the exercise of the powers of the executive director of the PRC Company until the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement
"ECI"	entrepreneurs confidence index
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"Guangzhou Mega TV"	廣州市巨屏廣告傳媒有限公司 (Guangzhou Mega TV Advertising Media Company Limited#), a limited liability company established in the PRC
"Guarantor"	Jiang Qi Hang, the guarantor under the Agreement and is the legal and beneficial owner of the entire issued share capital of the Vendor

"Hills"	Hills & Co.
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
"Irrevocable Share Transfer Agreement"	the irrevocable share transfer agreement dated 9 October 2009 entered into between the Target, Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company in relation of granting of the irrevocable and exclusive right by Mr Liu, Ms Wang, Ms Liang and Mr Sun to the Target to acquire the entire equity interest in the PRC Company at a consideration of RMB3,000,000
"Issue Price"	the issue price of HK$0.130 per Consideration Share
"Latest Practicable Date"	24 March 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the principal amount of RMB3,000,000 to be advanced by the Target to Mr Liu, Ms Wang, Ms Liang and Mr Sun pursuant to the terms and conditions of the Loan Agreement
"Loan Agreement"	the loan agreement dated 9 October 2009 entered into between the Target, Mr Liu, Ms Wang, Ms Liang and Mr Sun in relation to the grant of the Loan
"Management Agreement"	the exclusive management agreement dated 18 December 2009 entered into between the Target and the PRC Company in relation to the provision of management consultancy services by the Target to the PRC Company for the initial term of ten years
"Maturity Date"	the date of maturity of the Convertible Bonds
"MPC"	Martin C.K. Pong & Co.

"Mr Liu"	劉忠南 (Liu Zhongnan#), who holds 43% of the registered capital of the PRC Company
"Mr Sun"	孫宇 (Sun Yu#), who holds 6% of the registered capital of the PRC Company
"Ms Liang"	梁淑嫻 (Liang Shuxian#), who holds 10% of the registered capital of the PRC Company
"Ms Wang"	王璐 (Wang Lu#), who holds 41% of the registered capital of the PRC Company
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited#), a limited liability company established in the PRC
"PRC Subsidiary"	a PRC enterprise to be established in the PRC, the entire registered capital of which will be held by the Target
"Purchaser"	Konmate Investments Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
"Sale Share"	one share of US$1.00, being the entire issued share capital of the Target as at the date of the Agreement which is legally and beneficially owned by the Vendor
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Mega TV"	上海巨屏文化傳播有限公司 (Shanghai Mega TV Cultural Dissemination Company Limited#), a limited liability company established in the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Charge"	the share charge dated 9 October 2009 (as supplemented by the supplemental share charge dated 18 December 2009) created by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target to secure the obligations of the borrowers under the Loan Agreement and the obligations of the PRC Company under the Management Agreement

"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Undertaking"	the undertaking dated 9 October 2009 executed by Mr Liu, Ms Wang, Ms Liang and Mr Sun in favour of the Target that they will vote on any resolutions proposed at the shareholders' meetings of the PRC Company in accordance with the instructions of the Target until the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	GMG Media Group Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by the Vendor before the Completion
"Target Group"	the Target, the PRC Subsidiary (upon its establishment) and the PRC Company
"Vendor"	Fully Wealthy Inc., a company incorporated in the British Virgin Islands with limited liability, the sole beneficial shareholder of the Target prior to the Completion and the vendor to the Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar(s), the lawful currency of the United States of America
"%"	per cent.

For the purpose of this circular, unless otherwise specified, conversions of RMB into HK$ are based on the approximate exchange rate of RMB1.00 to HK$1.1293.

the English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

CHINA OUTDOOR MEDIA GROUP LIMITED
中國戶外媒體集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 254)

Executive Directors:
Lau Chi Yuen, Joseph
Lu Liang
Ng Yan
Tang Lap Chin, Richard

Independent non-executive Directors:
Cheng Sheung Hing
Cheng Kwong Choi, Alexander
Law Tai Yan

Registered office:
Unit 1803, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

26 March 2010

To the Shareholders

Dear Sir or Madam

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 28 December 2009 in which the Board announced that on 4 December 2009, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Purchaser agreed to acquire from the Vendor the Sale Share for a total consideration of HK$1,241,890,000.

The Acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to the approval of Shareholders at the EGM.

The purpose of this circular is to provide you with further information regarding the Acquisition and to seek approval from the Shareholders for the Acquisition and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds.

THE AGREEMENT

Date: 4 December 2009

Parties:

(i) Purchaser: Konmate Investments Limited, a wholly owned subsidiary of the Company;

(ii) Vendor: Fully Wealthy Inc.; and

(iii) Guarantor: Jiang Qi Hang, who guarantees in favour of the Purchaser the due and punctual performance of the Vendor under the Agreement

The Vendor is principally engaged in investment holding. The entire issued share capital of the Vendor is legal and beneficially owned by the Guarantor. The Guarantor holds a bachelor degree in business administration at the Zhong Shan University and a master degree in business administration from the Australia Graduate School of Management, University of New South Wales. The Guarantor has more than 15 years of experience in the advertising and investment industry. He joined Procter & Gamble (China) Ltd in 1992, where he has built up strong personal network in the media and advertising industry in China. After completing his master degree in business administration, he made a career change to the finance industry. From 2000 to 2004, the Guarantor was a director of securities sales in BNP Paribas Peregrine Securities Limited. In 2005, he joined Bank of China International Securities Limited as an executive director. In 2007, the Guarantor became one of the founders of China Angel Capital Holdings Ltd., which specialises in the strategic investments in media and Internet industries. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Guarantor is an Independent Third Party.

Asset to be acquired

Pursuant to the Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share, representing the entire issued share capital of the Target immediately prior to Completion.

Consideration

The consideration of HK$1,241,890,000 for the sale and purchase of the Sale Share shall be settled by the Purchaser in the following manner:

(a) HK$13,000,000 shall be satisfied by the Purchaser procuring the Company to allot and issue the Consideration Shares to the Vendor or his nominee(s), credited as fully paid, at the Issue Price at Completion; and

(b) HK$1,228,890,000 shall be satisfied by the Purchaser procuring the Company to issue the Convertible Bonds to the Vendor or its nominee(s) at Completion.

The consideration for the Sale Share was determined with reference to the preliminary valuation of the Target Group as at 31 August 2009 by Ample Appraisal

Limited, an independent valuer, of RMB1,222,000,000 (equivalent to approximately HK$1,380,000,000). There were no material changes since 31 August 2009, which will affect the validity of the valuation. The preliminary valuation was based on income approach and discounted cash flow method was adopted for valuation.

The material assumptions used in the valuation of the Target Group includes the following:

Collaboration with major shopping malls and department stores

It was assumed that the planned collaboration with major shopping malls and department stores in the PRC would be carried out on time and smoothly in future. The Target aimed to establish collaboration with numerous malls and department stores and install 100 wide-screen displays in Beijing, Shanghai, Shenzhen and Guangzhou by early 2014.

Revenue and rate

The rate was assumed at range of RMB15,000 to RMB20,000 for 30-second per mall or department store per month. The occupancy rate for the displays was assumed from the initial stage of 20% to mature stage of 80% which was reasonable in view of reasonable time for building up of client base and popularity of the malls or department stores and benchmarking with a comparable company which achieved more than 90%. The rate was assumed to have 10% to 15% annual increase in the period of 2011 to 2014 which was considered as possible in light of its discount to current market rate, continuous high economic growth in the PRC, increasing occupancy rate and its monopoly advantage in the relevant malls or department stores.

As the valuation was made on the basis of (i) the current advertising market in the PRC for similar companies; and (ii) the expected roll-out rate of the PRC Company in the future, the Directors consider the assumptions in the valuation to be fair and reasonable.

The Directors consider the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors consider the terms and conditions of the Acquisition to be on normal commercial terms.

Conditions precedent

The Agreement was conditional upon:

(a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the matters contemplated thereunder having been obtained;

(b) all necessary consents and approvals required to be obtained on the part of the the Purchaser in respect of the Agreement and the matters contemplated thereunder having been obtained;

(c) the passing by the Shareholders at a general meeting of the Company to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds to the Vendor or its nominee(s);

(d) the warranties in respect of the operation of the Target Group, including (i) warranties relating to ownership of shares, accounts, book debts, financial records, taxation, corporate matters, dividends and distributions, banking facilities, events since the date of the management accounts, compliance with laws, material contracts, employment, assets, insurances, business, litigation, intellectual property rights, grants and allowances, terms of trade, power of attorney and general matters for the Target; and (ii) warranties relating to book debts, records and taxation, corporate matters, finance, working capital, trading, related parties transactions, employment, assets, insurance, litigation, disputes and winding up, intellectual property rights and trade secrets, plant and equipment and other warranties for each of the PRC Subsidiary (upon its establishment) and the PRC Company, given by the Vendor under the Agreement remaining true and accurate in all respects;

(e) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares and the Conversion Shares;

(f) the obtaining of a PRC legal opinion (in the form and the substance satisfactory to the Purchaser) in relation to the validity and legality of the establishment of the Target Group, and its operations as going concern entities and the transactions contemplated under the Agreement;

(g) the Purchaser being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group; and

(h) the Control Agreements become unconditional and the completion of the Control Agreements.

Only conditions (d) and (g) are waivable by the Purchaser under the Agreement. Currently, the Purchaser has no intention to waive any of such conditions.

As at the Latest Practicable Date, condition (f) has been fulfilled. The PRC legal adviser of the Company, has also opined on the following in relation to the validity, legality and enforceability of the Control Agreements:

(i) the Management Agreement does not contravene prohibitive provisions under the PRC laws and is valid, binding and legally enforceable;

(ii) as the Loan Agreement involves foreign debt, the Loan can only be legal and enforceable under the domestic laws upon the registration with the State Administration of Foreign Exchange ("SAFE"). Upon the nomination of the PRC Subsidiary, being a wholly foreign owned enterprise, as the lender of the Loan, no aforementioned foreign debt registration is necessary and no foreign exchange matter is involved. In accordance with the domestic laws, the loan between an individual and a company is a lawful private loan. The Loan Agreement shall be valid on the date of execution;

(iii) as the Share Charge involves a foreign guarantee, the Share Charge is required to comply with the relevant provisions and be registered with SAFE before will be valid, legal and enforceable. Upon the nomination of the PRC Subsidiary, being a wholly foreign owned enterprise, as the lender and the chargee, the SAFE registration procedure will no longer be necessary. The Share Charge shall be valid on the date of the Share Charge has been registered in the register of members of the PRC Subsidiary. The Share Charge shall also be registered with the local Administration of Industry and Commerce registration authority. Upon completion of the above procedures, the Share Charge shall be legal, effective and binding on all parties. The chargee's rights under the Share Charge are protected by the PRC laws and are legally enforceable;

(iv) the Irrevocable Share Transfer Agreement does not contravene prohibitive provisions under the PRC laws and the Irrevocable Share Transfer Agreement is valid, binding and legally enforceable upon execution by the parties; and

(v) the Shareholders Undertaking and Director Undertaking do not violate prohibitive provisions of the PRC laws and regulations. The Shareholders Undertaking and Director Undertaking is valid, binding and legally enforceable upon execution by the shareholders and director respectively.

After further consideration of the circumstances, the parties under the Loan Agreement has agreed that the Loan Agreement will be governed under Hong Kong law and the Target will not nominate the PRC Subsidiary as the lender of the Loan.

As at the Latest Practicable Date, (i) the Loan has not been drawn down; and (ii) the Share Charge has not been registered with the relevant industrial and commercial registration authority and Mr Liu, Ms Wang, Ms Liang and Mr Sun have not provided the capital verification certificate. The Control Agreements will become unconditional and completed prior to Completion.

If the conditions have not been satisfied on or before 12:00 noon on 30 April 2010, or such later date as the Purchaser and the Vendor may agree, the Agreement shall cease and determine, and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place at 4:00 p.m. on the date falling on the third Business Day after the fulfilment of the conditions or such later date as may be agreed between the Purchaser and the Vendor.

Upon Completion, the Target will become a wholly owned subsidiary of the Company.

There is no provision in the Agreement which grants any rights to the Vendor to nominate its nominee to be appointed as Director.

Undertakings

The Guarantor hereby irrevocably and unconditionally undertakes to the Purchaser from the date of the Agreement to the date falling on the tenth anniversary of the Completion Date, it shall:

(a) procure Guangzhou Mega TV to maintain its corporate existence and carry on and conduct its business in a proper and efficient manner; and

(b) procure the necessary banking facilities or other sources of finance for Guangzhou Mega TV, and if necessary, to provide security for the same, so as to provide sufficient working capital for the business of Guangzhou Mega TV.

Guangzhou Mega TV will enter into a rental agreement to lease the indoor large screen television systems to the Target Group as soon as practicable after the fulfilment of the conditions of the Agreement. The undertakings will ensure that Guangzhou Mega TV will continue to operate and will have sufficient financial resources and working capital to ensure that it can carry on its business and lease equipment as required by the Target Group.

CONTROL AGREEMENTS

LOAN AGREEMENT

Date: 9 October 2009

Parties:	(i)	Lender:	the Target; and
	(ii)	Borrowers:	Mr Liu; Ms Wang; Ms Liang; and Mr Sun

Prior to the entering into of the Control Agreements, each of Mr Liu, Ms Wang, Ms Liang and Mr Sun has no business dealings with the Group. Each of Mr Liu, Ms Wang, Ms Liang and Mr Sun is an Independent Third Party. Ms Wang and Ms Liang is the wife and mother-in-law of the Guarantor respectively. Mr Liu and Mr Sun are business acquaintances of the Guarantor.

Subject

The Target has granted the Loan to Mr Liu, Ms Wang, Ms Liang and Mr Sun.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Loan Agreement to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang and Mr Sun.

Principal amount

RMB3,000,000

Interest

The Loan shall not bear any interest.

Term

The term of the Loan shall end on the date of the exercise of the exclusive right by the Target under the Irrevocable Share Transfer Agreement to acquire the equity interest in the PRC Company. The amount of the Loan shall be used to set off against the consideration under the Irrevocable Share Transfer Agreement.

Security

The obligations under the Loan Agreement are secured by the Share Charge.

MANAGEMENT AGREEMENT

Date: 18 December 2009

Parties: (i) the Target; and

(ii) the PRC Company

Subject

The Target shall provide to the PRC Company management consultancy services, including: (i) identifying suitable candidates and experts with experience and providing training to managers, head of departments, administrative staff, accounting staff and other staff of the PRC Company; (ii) providing strategic advices on the agreements that are reasonably required or in the ordinary course of business of the PRC Company; (iii) formulating and assisting in the implementation of rules and internal control policy, standard administrative, accounting, planning, marketing, human resources and operation strategies; (iv) assisting the PRC Company to plan and organise public relations and marketing activities; (v) assisting the PRC Company to review its operations; (vi) assisting the PRC Company in its business operations; (vii) providing market information on advertising media, market research information and analysis; and (viii) providing business advices on the operation and investment project, and assisting and participating in management operations.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Management Agreement to its wholly owned subsidiary without the consent of the PRC Company.

The Guarantor, being the director of the Target, who has experience in the advertising and investment industry and management experience will provide the management consultancy services to the PRC Company. For further details in relation to the experience of the Guarantor, please refer to the section headed "The Agreement" above. Upon Completion, the Group will also provide the management consultancy services to the PRC Company.

Term

The initial term of the Management Agreement is a fixed term of ten years from the date of the execution of the Management Agreement. The Target has the sole discretion to renew the Management Agreement for a further ten years (up to the end of the term of operation of the Target or the PRC Company). Pursuant to the business licence of the PRC Company, the operation period of the PRC Company will end on 10 April 2028.

Service fee

The Target shall charge the PRC Company a service fee of 100% of the actual net profit the PRC Company.

SHARE CHARGE

Date: 9 October 2009 (as supplemented by the supplemental share charge dated 18 December 2009)

Parties:

(i)	Lender:	the Target;
(ii)	Borrowers:	Mr Liu; Ms Wang; Ms Liang; and Mr Sun; and
(iii)	Company:	the PRC Company

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have created a first priority charge over their respective equity interests in the PRC Company to (i) secure the obligations of Mr Liu, Ms Wang, Ms Liang and Mr Sun under the Loan Agreement and (ii) secure and guarantee the obligations of the PRC Company under the Management Agreement.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Share Charge to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company.

Conditions

The Share Charge is conditional upon:

(1) the execution of the Share Charge by the parties to the Share Charge;

(2) the obtaining of the written approval by Mr Liu, Ms Wang, Ms Liang, Mr Sun and the executive director of the PRC Company in relation to the guarantee as provided in the Share Charge;

(3) Mr Liu, Ms Wang, Ms Liang and Mr Sun providing the capital verification certificate and approval and the registration documents to the Target pursuant to the terms of the Share Charge; and

(4) the Share Charge being registered with the relevant industrial and commercial registration authority.

As at the Latest Practicable Date, the conditions (1) and (2) above have been fulfilled.

Term

The charging period commenced from the date of the fulfilment of the above conditions until fulfilment of all the obligations of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company under the Loan Agreement and the Management Agreement.

IRREVOCABLE SHARE TRANSFER AGREEMENT

Date: 9 October 2009

Parties:	(i)	Purchaser:	the Target;
	(ii)	Vendors:	Mr Liu; Ms Wang; Ms Liang; and Mr Sun; and
	(iii)	Company:	the PRC Company

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have granted an irrevocable and exclusive right to the Target to acquire the entire equity interests in the PRC Company.

At the discretion of the Target, the Target can assign the rights and novate the obligations under the Irrevocable Share Transfer Agreement to its wholly owned subsidiary without the consent of Mr Liu, Ms Wang, Ms Liang, Mr Sun and the PRC Company.

Consideration

RMB3,000,000. The parties agree that the amount of the Loan shall be used to set off against the consideration under the Irrevocable Share Transfer Agreement.

Term

There is no fixed term to the exercise of rights by the Target to acquire entire equity interests in the PRC Company. Such rights shall remain valid until (i) it is not permitted under the law or (ii) the Target exercises the right to acquire the entire equity interests in the PRC Company.

Further announcement will be made as and when appropriate in relation to the exercise of the rights granted to the Target under the Irrevocable Share Transfer Agreement in compliance with the Listing Rules.

DIRECTOR UNDERTAKING

Date: 9 October 2009

Parties:	(i)	Director:	Mr Liu; and
	(ii)	Confirmers:	Mr Liu; Ms Wang; Ms Liang; and Mr Sun

As the executive director of the PRC Company (being nominated by the shareholders of the PRC Company) may change, the confirmers (being the shareholders of the PRC Company) were parties under the Director Undertaking (i) to confirm and approve the director of the PRC Company to make such undertaking; and (ii) to guarantee that upon the change of director(s) of the PRC Company, they will procure the replacement director(s) to give a similar undertaking.

Subject

Prior to the transfer of the entire equity interests in the PRC Company to the Target and the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, Mr Liu, the executive director of the PRC Company, has undertaken to act according to the instructions of the Target upon the exercise of the powers of the executive director of the PRC Company, including but not limited to, the convening of shareholders' meeting, performance of shareholders' resolutions, approving of business plans and investment plans, formulating of annual budget, distribution of profits and making up of losses. Mr Liu (as the director) and Mr Liu, Ms Wang, Ms Liang and Mr Sun (as the confirmers) have further undertaken that upon the change of director(s) of the PRC Company, they will procure the replacement director(s) to give a similar undertaking as aforesaid.

Upon the assignment of the rights and novation of obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, the Target can also assign the rights under the Director Undertaking to its wholly owned subsidiary.

SHAREHOLDERS UNDERTAKING

Date: 9 October 2009

Parties:	Shareholders:	Mr Liu; Ms Wang; Ms Liang; and Mr Sun

Subject

Mr Liu, Ms Wang, Ms Liang and Mr Sun have undertaken that they will vote on any resolutions proposed at the shareholders' meetings of the PRC Company in accordance with the instructions of the Target until the transfer of the entire equity interests in the PRC Company to the Target and the fulfilment of all obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement.

Upon the assignment of the rights and novation of obligations under the Loan Agreement, the Management Agreement, the Share Charge and the Irrevocable Share Transfer Agreement, the Target can also assign the rights under the Shareholder Undertaking to its wholly owned subsidiary.

REASONS FOR THE CONTROL AGREEMENTS

Foreign companies are allowed to acquire 100% equity interests in the advertising enterprise in the PRC in accordance with the provisions of 關於外國投資者併購境內企業的規定 (Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors#) and 外商投資廣告企業管理規定 (Regulations on the Administration of Foreign-funded Advertising Enterprises#). However, for the establishment of a foreign advertising enterprise, the following conditions have to be met:

(i) the investor should be an enterprise principally engaged in advertising; and

(ii) the investor should have been established and operated for more than three years.

The Control Agreements are required as under the current PRC regulations, the Group are not allowed to directly hold the equity interests in an advertising and media companies such as the PRC Company.

THE CONSIDERATION SHARES

The 100,000,000 Consideration Shares will be issued at the Issue Price of HK$0.130 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue of the Consideration Shares.

The Issue Price represents (i) a discount of approximately 38.39% to the closing price of HK$0.211 per Share as quoted on the Stock Exchange on 4 December 2009, being the date of the Agreement; (ii) a discount of approximately 34.34% to the average of the closing prices of approximately HK$0.198 per Share as quoted on the Stock Exchange for the last five trading days up to and including 4 December 2009, being the date of the Agreement; (iii) a discount of approximately 33.67% to the average of the closing prices of approximately HK$0.196 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 4 December 2009, being the date of the Agreement; and (iv) a premium of approximately 124.91% over the net asset value per Share of HK$0.0578 based on the audited consolidated financial statements of the Group as at 30 June 2009.

The Issue Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to various factors including the closing prices and the net asset value per Share as shown above. The Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable.

The Consideration Shares represent (i) approximately 8.70% of the existing issued share capital of the Company and (ii) approximately 8.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

TERMS OF CONVERTIBLE BONDS

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer

The Company

Principal amount

HK$1,228,890,000

Interest

The Convertible Bonds will not bear any interest.

The Directors consider that a non-interest bearing term on the Convertible Bonds will be to the benefit of the Company. As such, the Purchaser negotiated with the Vendor on such basis and the non-interest bearing term was subsequently agreed by the Vendor.

Maturity

A fixed term of five years from the date of issue of the Convertible Bonds. Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the Conversion Rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the

Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents 30% or more (or such other percentage as stated in the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules (collectively, the "Conversion Restrictions"), any amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be converted into Shares. For the avoidance of doubt, if any of the outstanding principal amount of the Convertible Bonds cannot be converted into Shares due to the Conversion Restrictions, such outstanding principal amount of the Convertible Bonds will be cancelled at the Maturity Date.

Conversion

Provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights, whether or not such mandatory offer obligation is triggered off by the fact that the number of Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds (if applicable, including any Shares acquired by the parties acting in concert with the Bondholder(s)) represents 30% or more (or such other percentage as stated in the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company at any one time in compliance with the Listing Rules, the Bondholders may convert the whole or part (in multiples of HK$1,000,000) of the principal amount of the Convertible Bonds into new Shares at the Conversion Price from the period after six months from the issue date up to the Maturity Date.

Conversion Price

The Conversion Price is HK$0.130 per Conversion Share subject to the adjustment. The events for the adjustments of the Conversion Price are as follows:

(i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;

(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);

(iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;

(iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 97% of the market price;

(v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share initially receivable for such securities is less than 97% of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 97% of the market price; and

(vi) an issue being made by the Company wholly for cash of Shares at a price per Share less than 97% of the market price.

The Conversion Price represents (i) a discount of approximately 38.39% to the closing price of HK$0.211 per Share as quoted on the Stock Exchange on 4 December 2009, being the date of the Agreement; (ii) a discount of approximately 34.34% to the average of the closing prices of approximately HK$0.198 per Share as quoted on the Stock Exchange for the last five trading days up to and including 4 December 2009, being the date of the Agreement; (iii) a discount of approximately 33.67% to the average of the closing prices of approximately HK$0.196 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 4 December 2009, being the date of the Agreement; and (iv) a premium of approximately 124.91% over the net asset value per Share of HK$0.0578 based on the audited consolidated financial statements of the Group as at 30 June 2009.

The Conversion Price was determined by the Purchaser and the Vendor on an arm's length basis with reference to the current market price of the Shares and the net asset value per Share as shown above. The Directors (including the independent non-executive Directors) consider that the Conversion Price is fair and reasonable.

Conversion Shares

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Bonds in the aggregate principal amount of HK$1,228,890,000 at the Conversion Price by the Bondholders, the Company will issue an aggregate of 9,453,000,000 new Shares, representing (i) approximately 822.51% of the existing issued share capital of the Company; and (ii) approximately 89.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM.

Early redemption

The Company may at any time before the Maturity Date by serving at least ten days' prior written notice on the Bondholder(s) with the total amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Convertible Bonds (in whole or in part) at 100% of the total amount of Convertible Bonds.

Ranking

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Status of the Convertible Bonds

The Convertible Bonds constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes) equally with all other present and/or future unsecured and unsubordinated obligations of the Company.

Transferability

With the prior notification to the Company, the Convertible Bonds may be transferred or assigned by the Bondholders to any party other than a connected person of the Company.

Voting rights

The Convertible Bonds do not confer any voting rights at any meetings of the Company.

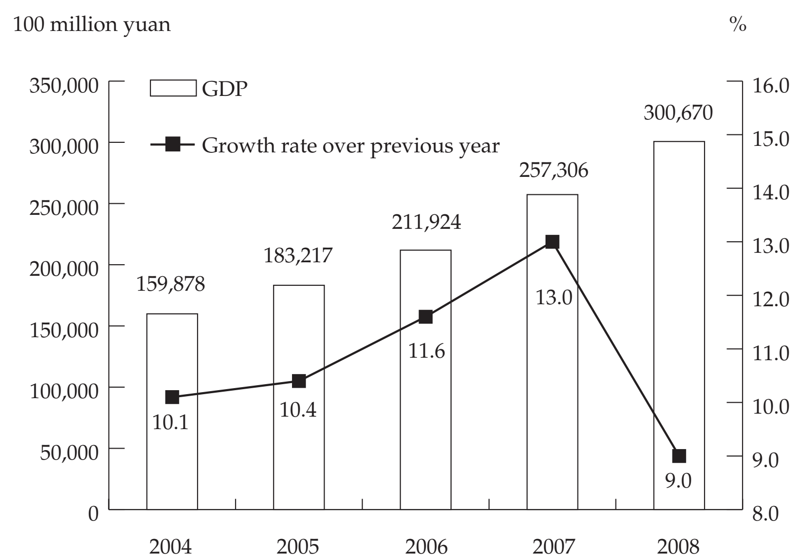
Application for listing

No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

INDUSTRY OVERVIEW

The economy of China is growing at a very fast pace in recent years. According to China Statistics Bureau, China's GDP grew at rate ranged from 9% to 13% in 2004–2008 as shown below.

Gross Domestic Product and its Growth, 2004-2008



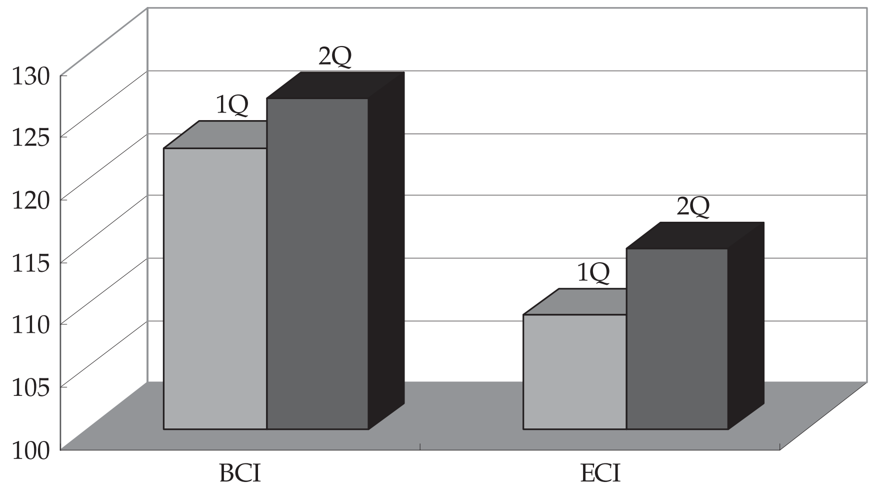
Source: National Bureau of Statistics of China

A lot of investors and people have agreed that China would be an inevitably major market for various products and services. Even under the situation of financial tsunami in late 2008, the economy of China would be expected to have more than 8% growth for 2009. It shows a compelling reason for optimistic view on overall long-term economy of China in the market and some economists prediction of China being the largest economies in future.

Early 2009, the central government of China has announced economic stimulus program with RMB4 trillion budget to cope with the financial tsunami and emphasized the importance of internal consumption. It is commonly acknowledged that the consumption portion in China's GDP is low for the time being and thus would have a big room for increase to support sustainable long-term economic growth. Internal consumption will definitely support flourish prospect of advertisement industry in China.

From National Bureau of Statistic of China, the wholesales and retails market is recovering while the confidence index is improving. The 2nd quarter figure has a great improvement from 1st quarter 2009 as shown below.

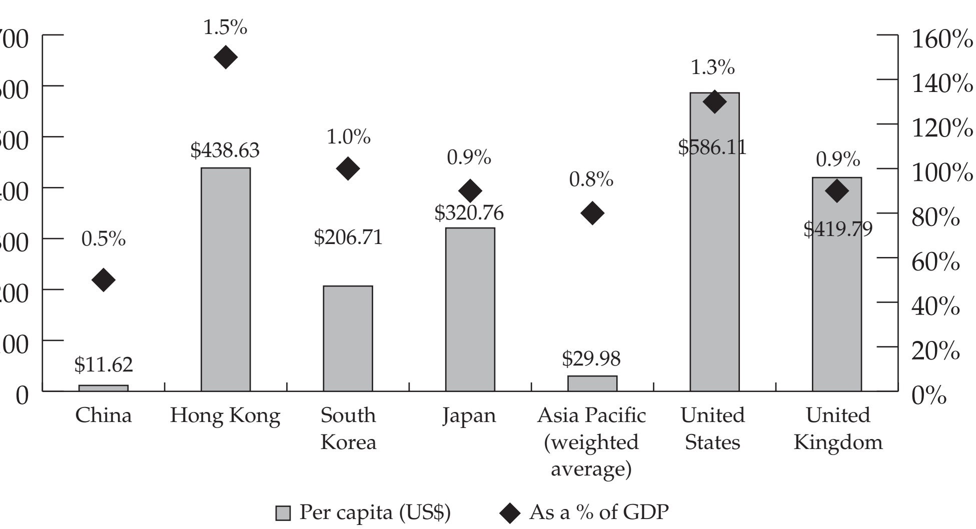
2009 China Wholesales & Retails



Source: National Bureau of Statistics of China

According to National Bureau of Statistics of China, China advertising spending accounted for 0.5% of GDP and US$11.62 per capita in 2007 which were relatively low comparing the respective weighted average 0.8% and US$29.98 in Asia Pacific region and much lower than mature economy like the United States, United Kingdom, etc. as shown in the chart below.

Advertising Spending in 2007

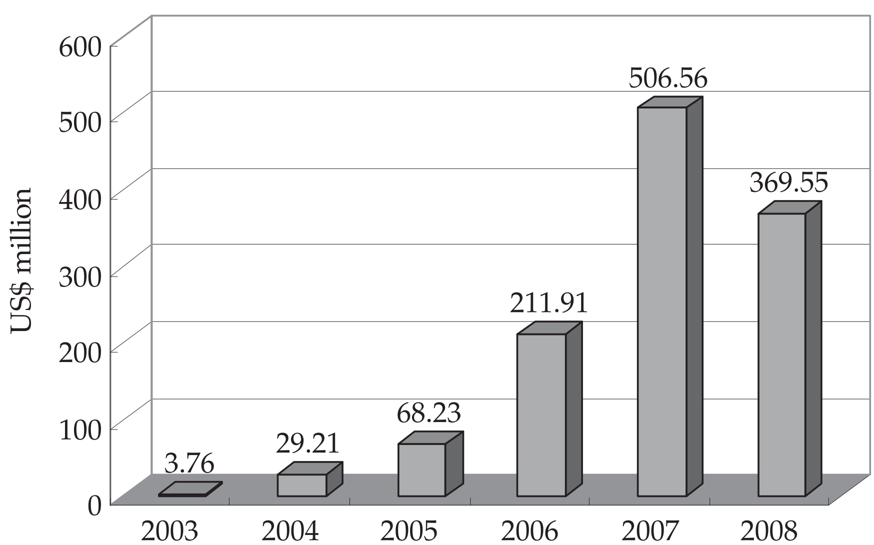


Source: National Bureau of Statistics of China

According to the ZenithOptimedia's forecast, (i) China advertising market will have about 5.4% growth and will overtake United Kingdom to become the fourth largest advertising market in the world by the end of 2009; (ii) advertising spending was approximately US$15.4 billion in 2007 and was expected to grow at 12.8% CAGR to US$25 billion in 2011, which representing approximately 20% of total advertising spending in Asia Pacific region compared with 15% in 2007. ZenithOptimedia is one of the world's largest media services groups.

Blooming advertising market in China could be verified from the business of key players, such as Focus Media Holding Limited ("Focus Media"). Focus Media was founded in 2003 and provides a broad portfolio of media advertising platforms. Media advertising platforms includes commercial location network, in-store network, poster frame network, mobile handset advertising network (through Focus Media wireless) and outdoor LED network. Commercial location media network covers office buildings and shopping centres. Flat-panel television displays are installed in the elevator or at the locations by elevator bank on the ground floor or in the underground parking lobby, which broadcast advertisements throughout the day. Its revenue has increased rapidly from US$3.76 million in 2003 to US$369.55 million in 2008, representing 150% CAGR, as shown in below chart. Though the revenue dropped a certain percentage in 2008 compared with 2007, it was expected a short-term impact from slump in stock market in China during 2008 and global financial crisis starting from 4th quarter in 2008. As (i) Focus Media is engaged in a similar business as the Target Group, which operates flat-panel television displays to broadcast advertisements in shopping centres; and (ii) the availability, transparent and reliability of data, only information relating Focus Media was used.

Focus Media – Revenue



Source: Bloomberg, www.focusmedia.cn

From the experience of US, about 70% retails expenditure is spent in shopping mall in urban area. As retailers face increased competition in all sectors, consumers are demanding more than just low prices. Consumers want a shopper friendly atmosphere and a range of competitively priced products and services that will enhance the shopping experience. Shopping mall would provide such conditions to consumers and have edge over shops along streets.

Mall media advertising is the perfect way to impact consumers as they are about to make their final purchasing decisions. Shopping malls are dynamic and exciting destinations, drawing people to shop, dine and socialize. Each day, mall advertising campaigns reach communities of shoppers. Malls offer an affordable and efficient media opportunity for advertisers to reach targeted audiences.

In view of continuous high growth of economy, internal consumption policy focus and relatively low level of portion of GDP and spending per capital for advertising business, there is a flourish landscape for advertising industry in China. Mall shopping would be a major trend for retail consumers in major cities in China. Mall advertising and promotion business would be expected flourish.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands on 10 August 2009 and is principally engaged in investment holding.

As the Target has not commenced business since the date of its incorporations on 10 August 2009, the Target has no turnover, the net loss before and after tax of approximately HK$0.009 million for the period ended 31 December 2009. The net liabilities of the Target as at 31 December 2009 was approximately HK$0.009 million.

The PRC Company is a limited liability company established in the PRC on 11 April 2008. The PRC Company is principally engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC. As at the Latest Practicable Date, the principal place of business of the PRC Company is at Beijing and it intends to commence its business initially at cities such as Beijing, Shanghai, Guangzhou and Shenzhen. By employing a unique large-screen technology of high-definition and rear-projection, large-screen media networks can be installed at the atriums of major shopping malls and department stores, representing an effective blending of advertising media in shopping areas.

As at the Latest Practicable Date, the Target had signed memorandums and undertakings with more than 20 sizable shopping malls and department stores in the PRC, which can assist the Target to build up its extensive network of numerous shopping malls and department stores in the PRC. Those networks enable the Target and the PRC Company to achieve real-time interactions with consumers and are extremely suitable for promoting fast moving consumer goods, fashion brands and large-sized online games. The memorandums and undertakings provide that, subject to final agreement, the Target will supply the hardware for the mega television in shopping malls and department stores, operate the mega television and collect advertising revenue. The Target shall lease the hardware for the mega television from Guangzhou Mega TV. The shopping malls and department stores will not charge the Target for rental of space for the mega television, but will share a certain percentage of the advertising revenue. In general, the service is expected to be exclusive to the Target for a term of three to five years. The shopping malls and department stores which signed memorandums and undertakings with the Target are situated in many different cities, e.g. Beijing, Shanghai, Hangzhou, Ningbo, Wuhan and Xian. Although these memorandums and undertakings are non-binding, it shows that shopping malls and department stores are willing to co-operate with the Target as it can provide another revenue source for shopping malls and department stores and provide a unique service to its tenants and shoppers. These memorandums and undertakings are by no means the only shopping malls and department stores that the Group can pursue in the future. Upon Completion, the Company will agree with the PRC Company as to the timing and implementation plan to finalise the formal agreements with the shopping malls and department stores and to engage in more business contracts. Even if the Target is unable to enter into long-term legally binding agreement with the shopping malls or department stores and secure alternative shopping malls or department stores to provide its services, with the extensive experience and network of the management of the Target Group, the Directors consider that the Target Group will be able to secure other alternative sites for the installation of the mega television.

The rate for the advertisement to be charged by the PRC Company is estimated to be at the range of RMB15,000 to RMB20,000 for 30-second advertisement per mall or department store per month. It is estimated that each advertisement will be broadcasted 60 times per day.

Companies in the advertising industry in the PRC have to comply with certain regulatory requirements established and published by the PRC government, including 中華人民共和國廣告法 (Advertisement Law of the People's Republic of China#), 廣告管理條例 (Control of Advertising Regulations#), 廣告管理條例實施細則 (Control of Advertising Regulations Implementing Rules#) and 廣告經營許可證管理辦法 (Measures for the Administration of Advertising Business Licenses#). There are no specific laws which relate to advertising in indoor areas under the existing laws of the PRC.

As at the Latest Practicable Date, each of Guangzhou Mega TV and Shanghai Mega TV has entered into a non-competition agreement with the PRC Company pursuant to which each of Guangzhou Mega TV and Shanghai Mega TV has agreed not to compete with the PRC Company in relation to the provision of any mega television advertising services in malls or department stores or any other possible competing businesses. The first right for the PRC Company to provide such services is conditional upon the customers agreeing to be provided with mega television advertising services in malls and department stores in Beijing, Tianjin or any other cities where the PRC Company has operations or where the PRC Company will develop its business.

Guangzhou Mega TV is a company established in the PRC and is principally engaged in the development and manufacturing of rear-projected mega televisions. Shanghai Mega TV is a company established in the PRC and is principally engaged in design, production and publication of advertisements. Shanghai Mega TV is operating a similar business as the PRC Company. As at the Latest Practicable Date, an associate of the Guarantor holds 63% and 38.25% of the registered capital of Guangzhou Mega TV and Shanghai Mega TV respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Guangzhou Mega TV and Shanghai Mega TV is an Independent Third Party.

As the PRC Company has not commenced business since the date of its establishment on 11 April 2008, the PRC Company has no turnover, net loss after tax of approximately HK$0.170 million and HK$0.165 million respectively for the period from 11 April 2008 (date of establishment) to 31 December 2008 and year ended 31 December 2009. The net assets of the PRC Company as at 31 December 2008 and 2009 was approximately HK$2.091 million HK$1.934 million respectively.

The business opportunity for the Group to acquire the Sale Share was proposed by the Guarantor. The Guarantor has known a Director for approximately ten years. The Directors have performed due diligence work on the Target Group including site visits to shopping malls in the PRC where mega televisions have been installed for pilot run by the PRC Company, making references to other market participants in industry similar to that of the Target Group and discussion with the Guarantor and the management team of the Target Group.

The Directors consider that the following factors are the key considerations in evaluating the business model and the investment in the Target Group:

(i) the business to be acquired is complementary to the Group's existing advertising businesses;

(ii) the business model of using mega television panels as an advertising medium in shopping malls and department stores through exclusive collaboration with the owners is replicable in each major city in China and allows expansion of the business at a rapid pace;

(iii) currently, the Directors are not aware of any direct competitors engaged in similar mega television services in shopping malls or department stores in the PRC;

(iv) by building up a network of mega television services in multiple shopping malls and department stores in multiple cities in the PRC will enhance the potential advertising revenue of the business as opposed to isolated services in single shopping mall or department store; and

(v) the Guarantor and the management team of the Target Group are experienced in the industry and will be able to assist the PRC company in the operations and management of the business.

Business plan

Since the PRC Company already has the key personnel required for the operations of its business and the technology for implementation of the service can be readily deployed, it is the Company's intention that, after Completion, effort will be made to finalise service agreements with the shopping malls and department stores and to seek further business opportunities. The business target of the PRC Company is to secure more than 10 shopping malls or department stores as clients in 2010, which is expected to increase to more than 30, 60 and 90 shopping malls or department stores by 2011, 2012 and 2013 respectively. The main initial marketing areas of the PRC Company are Beijing, Shanghai, Guangzhou and Shenzhen. If and when the PRC Company has sufficient financial and human resources, it may decide to speed up the implementation plan in order to improve earnings and also to protect its competitive position. Additional employees will be hired at a later stage and test sites will also be set up in the future in order to build up the client base.

Prior to the establishment of a network of mega television in a number of cities in the PRC, the target customers of the Target Group will mainly be the tenants in the malls and department shops and other external customers such as movies distributers. Upon the establishment of the network, the Target Group plans to promote its services to global 4A advertising agencies and local media companies and target national-wide brand names as its main customers.

The rate to be charged by the Target Group is estimated to be at a range from RMB15,000 to RMB20,000 for a 30-second advertisement per mall or department store per month. It is estimated that each advertisement will be broadcasted 60 times per day. The occupancy rate for the displays is estimate to be from approximately 20% in 2010 to approximately 80% in 2014. In bid to motivate the department stores and malls for collaboration, a 20% revenue sharing will be set as standard offer to the department stores and malls.

Captial expenditure is expected minimal due to leasing and rental approach for display systems is to be adopted by the Target Group. The initial capital requirements to implement the business model are approximately RMB3 million. The cost for installation of the 100 wide-screen displays over a 5-year period is approximately RMB6 million.

There is no significant entry barrier for the business to be engaged by the Target Group.

Competition

The mega television services provided by the Target Group are relatively new services in the PRC. While the Directors are not aware of any advertising agency directly offering similar mega television services in shopping malls or department stores in the

PRC as at the Latest Practicable Date, the Directors consider that the market for mega television services will further develop and there will be increasing demand for such services. The increase in the demand for such services will result in the Target Group facing competition from other advertising agencies. There are also competitions from other types of advertising media such as advertising by screen displays. As the Target Group is one of the first companies to engage in the provision of mega television services, the Directors considered that the Target Group will have an advantage in capturing the market share of such industry over the other competitors entering the industry after the Target Group.

Competitive strengths

The Directors consider that the Target Group has the necessary attributes to become one of the leading mega television services providers in the PRC. In particular, the PRC Company has the following competitive strengths:

(i) the Target Group is one of the first companies to engage in the provision of mega television services in shopping malls and department stores and the Directors are not aware of any direct competitors engaged in similar services in shopping malls or department stores in the PRC;

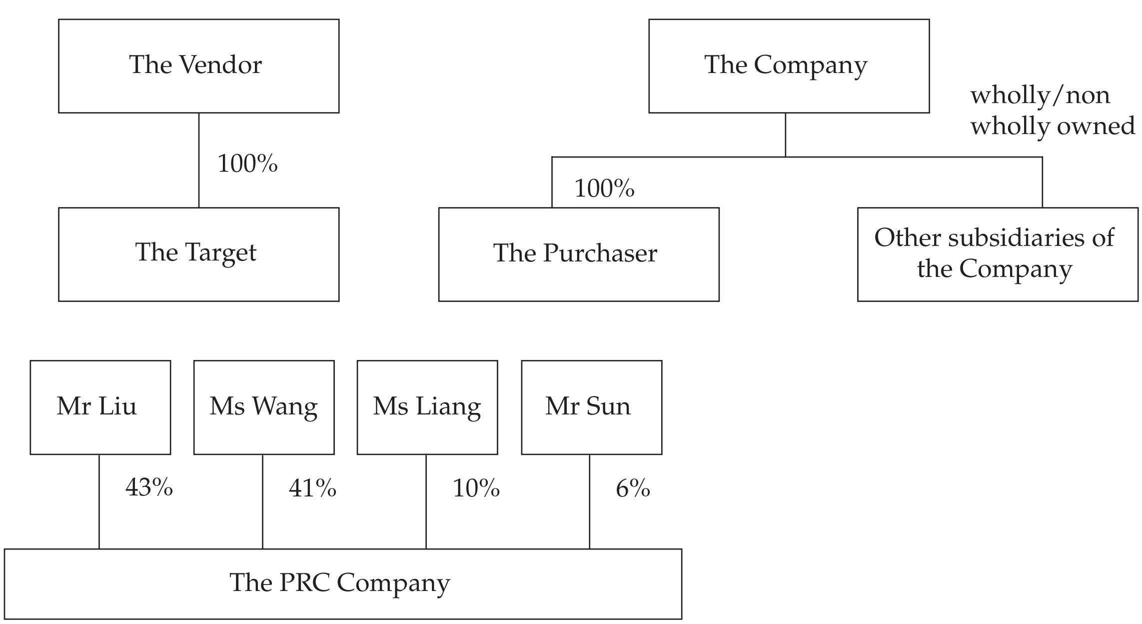
(ii) the business model of using mega television panels as an advertising medium in shopping malls and department stores through exclusive collaboration with the owners is replicable in each major city in China and allows expansion of the business at a rapid pace; and

(iii) the Target has signed memorandums and undertakings with more than 20 sizable shopping malls or department stores in the PRC, which can assist the Target to build up extensive network of numerous shopping malls and department stores in the PRC.

Group structure

The following charts show the group structure of the Target Group as at the Latest Practicable Date before and after the Completion:

As at the Latest Practicable Date



Management of the Target Group

Mr Jiang Qi Hang

The Guarantor holds a bachelor degree in business administration at the Zhong Shan University and a master degree in business administration from the Australia Graduate School of Management, University of New South Wales. The Guarantor has more than 15 years experience in the advertising and investment industry. He joined Procter & Gamble (China) Ltd in 1992, where he has built up strong personal network in the media and advertising industry in China. After completing his master degree in business administration, he made a career change to the finance industry. From 2000 to 2004, the Guarantor was a director of securities sales in BNP Paribas Peregrine Securities Limited.

In 2005, the Guarantor joined Bank of China International Securities Limited as an executive director. In 2007, the Guarantor became one of the founders of China Angel Capital Holdings Ltd., which specialises in the strategic investments in media and Internet industries.

Mr Liu Zhong Nan

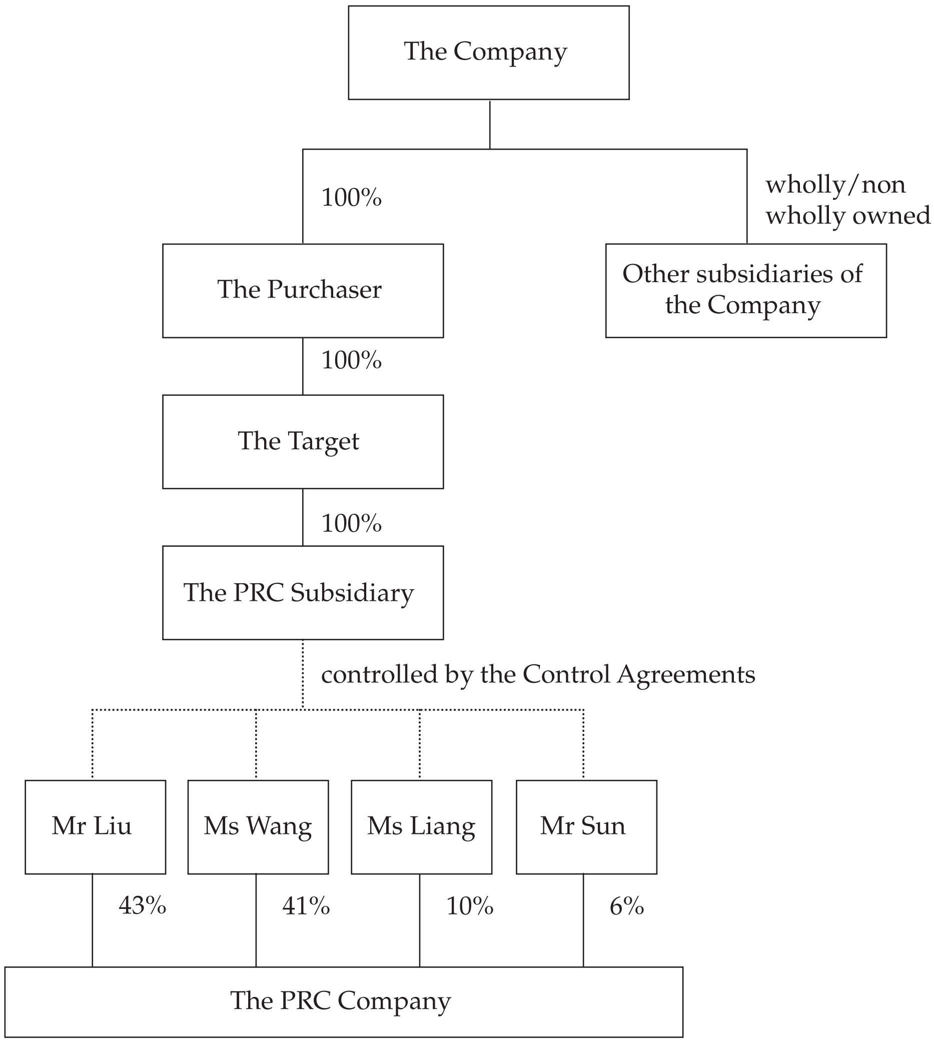
Mr Liu holds a bachelor's degree in arts at the Jilin University in the PRC. Mr Liu has more than 16 years experience in advertising industry. He set up his own advertising agency company Jilin Zhongrong Advertising Company right after he graduated from the university, and the company soon became a significant player in the highway billboard media market in Jilin province in 1990s. He was also an active organiser in public events such as the 2001 Changchun snow festival and 2002 new silk road model competition, Jilin district. He started installing the first 120 inches rear-projected television in Changchun Department Store in 2002. In 2004, he built up the 18.8 metres long rear-projected television, the largest ever projected television in the world in Xiamen Exhibition Centre. In 2007, he became the founder of Beijing Mega TV Media Advertisement Company Limited.

Mr Sun Yu

Mr Sun holds a bachelor's degree in Science from Northern Communication University and a master's degree in business administration from People's University of China (中國人民大學). He has more than 15 years experience in business operations and management. He was the manager who was responsible for media planning and public relationship in Asia Pacific Economic Cooperation (APEC) in China from 2005 to 2007.

As the business of the Target Group is similar to the existing business of the Group, the existing management has the relevant experience in the business of the Target Group.

Immediately after Completion



Pursuant to the Control Agreements, the Group can obtain the control of the PRC Company, without acquiring the equity interests of the PRC Company. Upon Completion, as the Group will have control of the Target Group, members of the Target Group will become subsidiaries of the Company and their accounts will be consolidated into the consolidated financial statements of the Group. As the Target shall charge the PRC Company a service fee of 100% of the actual net profit the PRC Company under the Management Agreement, upon Completion, the Group's revenue will increase as a result of the successful operation of the PRC Company. However, the Group will not be entitled to the profit sharing and/or dividends distribution of the PRC Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares; (iii) immediately after the issue of the Consideration Shares and the issue of Conversion Shares upon conversion of the Convertible Bonds to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company; and (iv) for illustration purpose only, immediately after the issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds, in each case assuming there is no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date.

	As at the Latest Practicable Date		**Immediately after the issue of the Consideration Shares but before the issue of any Conversion Shares**		**Immediately after the issue of the Consideration Shares and the issue of Conversion Shares upon conversion of the Convertible Bonds to the extent that the Bondholder(s) does not hold more than 29.9% of the entire issued share capital of the Company**		**Immediately after the issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds** *(Note)*	
	Number of Shares	*Approximate percentage of shareholding %*	*Number of Shares*	*Approximate percentage of shareholding %*	*Number of Shares*	*Approximate percentage of shareholding %*	*Number of Shares*	*Approximate percentage of shareholding %*
Lau Chi Yuen, Joseph	273,581,900	23.80	273,581,900	21.90	273,581,900	16.69	273,581,900	2.56
The Vendor and parties acting in concert with it	–	–	100,000,000	8.00	490,208,581	29.90	9,553,000,000	89.26
Public	875,703,100	76.20	875,703,100	70.10	875,703,100	53.41	875,703,100	8.18
Total	1,149,285,000	100.00	1,249,285,000	100.00	1,639,493,581	100.00	10,702,285,000	100.00

Note: The shareholding structure is shown for illustration purpose only as pursuant to the terms of the Convertible Bonds, the Bondholder shall have the right to convert the Convertible Bonds into Shares provided that (i) any conversion of the Convertible Bonds do not trigger a mandatory offer obligation under the Takeovers Code on the part of the Bondholder which exercised the conversion rights; and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules. As such, the Acquisition would not result in a change of control of the Company.

RISK FACTORS

Start-up risk

The Group is confident of the business prospects of the PRC Company as it is a unique medium and there is vast development potential in the PRC, however, the Group believes that there are the usual start-up risks involved in its operations as the business is still in an early stage of development and there are risks, both from a commercial and regulatory perspective, for businesses operating in the PRC. The Group believes that a carefully executed business plan and with the support of the Company, the PRC Company will ensure that the Group can control these business risks to an acceptable level and enable the PRC Company to expand steadily although only non-binding memorandums have been signed as at the Latest Practicable Date.

If the PRC government determines that the Control Agreements do not comply with applicable PRC laws, rules and regulations, or if there are changes in applicable laws, rules and regulations or their interpretation or implementation, the business of the Target Group could be materially and adversely affected.

The PRC government currently requires that for the establishment of a foreign advertising enterprise: (i) the investor should be an enterprise with advertising as its principal business; and (ii) the investor should have been established and in operation for more than three years. Accordingly, the PRC Company, which is principally engaged in the operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC operates, will still be owned by Mr Liu, Ms Wang, Ms Liang and Mr Sun, all of which are PRC citizens. The Target and the PRC Subsidiary will rely on the Control Agreements with the PRC Company and its shareholders that allow the Target and the PRC Subsidiary to substantially control the PRC Company.

Although the PRC legal advisers of the Company, has confirmed that the Control Agreements does not contravene prohibitive provisions under the PRC laws, the Company cannot be assured that the PRC government would agree that these arrangements comply with relevant laws or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

New PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the Control Agreements. The PRC government has a broad discretion in dealing with violations of PRC laws, rules and regulations, including levying fines, revoking business and other licenses and requiring actions to ensure compliance. If the PRC government determines that the Control Agreements do not comply with applicable PRC laws, rules or regulations, it could (i) revoke the business and operating licenses of the PRC Company; (ii) require the PRC Company to discontinue its operations; (iii) impose restrictions on operations of the PRC Company; (iv) restrict right for the PRC Company to collect revenues; or (v) take other regulatory or enforcement actions against the PRC Company, which may adversely affect the business, results of operations or financial condition of the Target Group.

The Control Agreements with the Target Company and its shareholders may not be as effective in providing control over these entities as direct ownership.

Immediately upon Completion, the Group will have no equity ownership interest in the PRC Company. The Group will rely on contractual arrangements to control and operate the large-screen television operations in the PRC. Even if these contracts arrangements are enforceable, they may not be as effective in providing control over the PRC Company as direct ownership. These arrangements will not preserve control in the occurrence of certain events which are outside the control of the PRC Company's shareholders or the Group, including the imposition of statutory liens or the initiation of bankruptcy or criminal proceedings. In the event of an imposition of statutory liens or the initiation of bankruptcy or criminal proceedings against any of the PRC Company and its shareholders, (i) third-party creditors may have recourse to the assets of the PRC Company or its shareholders; and (ii) governmental authorities may impose fines on, or seize, freeze or force the forfeiture of assets of, the PRC Company or its shareholders. Furthermore, in extreme circumstances, the PRC Company may be ordered to close down. The occurrence of any of the above may adversely affect the validity, effectiveness and enforceability of the Control Agreements against the PRC Company or its shareholders. If the PRC Company or its shareholders fail to perform their respective obligations under the Control Agreements, the Target and the PRC Subsidiary may have to rely on legal remedies under PRC law, which may not be effective. Any inability, or limitation of ability, to enforce the contractual arrangements with the PRC Company or its shareholders could disrupt business of the Target Group and have a material adverse effect on the results of operations and financial condition of the Target Group.

The Target Group may face increasing number of competitors

The development of the mega television services market and the increasing demand in the market may attract new competitors and the number of companies in the PRC engaging in the provision of mega television services may increase in the future. Among these new competitors, there may be enterprises with more capital and financial resources than the Target Group. If the Target Group fails to obtain considerable market share and gain market recognition in time, the Target Group may not be able to obtain the same when competition becomes intense. There may be an increase in the price competition in the mega television services market, which may have an adverse effect on the operation and the financial results of the Target Group. The Target Group also faces competitors from other advertising media such as print, billboard, television and internet.

Reliance on shopping malls and department stores

As the business model of the Target Group relies on exclusive collaboration with the owners of shopping malls and department stores and the memorandum and undertakings entered into between the Target and the shopping malls or department stores in the PRC are non-binding, if the Target fails to enter into long-term legally binding agreement or commitment with the shopping malls or department stores, there is no assurance that the owners of the shopping malls or department stores will continue to collaborate with the Target Group and allow the Target Group to provide mega television services in the shopping malls or department stores. Should any of the owners cease to collaborate with the Target Group and the Target Group is unable to secure alternative shopping malls or department stores to provide its services, the profitability of the Target Group may be adversely affected.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Financial information of the Group

The following table sets out a summary of the audited financial results of the Group for the three years ended 30 June 2009, 2008 and 2007 prepared on the basis of Hong Kong Financial Reporting Standards and extracted from the financial information of the Group are set out in Appendix II of the circular:

The Group

	Year ended 30 June		
	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Turnover from continuing operations	38,344	5,694	–
Gross Profit from continuing operations	17,346	5,125	–
Loss before tax from continuing operations	(34,785)	(63,035)	(13,657)
(Loss)/profit before tax from discontinued operations	(12,852)	7,939	1,788
Loss for the year	(49,956)	(55,096)	(11,869)
Total assets	111,257	150,737	30,406
Total Liabilities	47,723	46,585	34,991
Net assets/(Liabilities)	63,534	104,152	(4,585)

(i) For the year ended 30 June 2009

Significant Transactions

Acquisition

On 25 September 2008, the Group acquired the entire issued share capital of L&L Partners' Limited ("L&L Partners'"), a company incorporated in the British Virgin Islands, which holds the entire registered capital of Shanghai Win Advertising & Media Co., Ltd. ("Shanghai Win Media"), an enterprise established in the PRC. L&L Partners' and Shanghai Win Media are engaged in the provision of outdoor media advertising services. The consideration for the acquisition of HK$240.0 million was/will be satisfied by (i) the allotment and issuance of 250.0 million new shares of the Company, credited as fully paid, in the sum of HK$200.0 million; and (ii) the issuance of convertible bonds, carrying no interest for a term of 5 years at a conversion price of HK$0.8 for each new share of the Company, in the principal amount of HK$40 million. Details of the acquisition are set out in a circular issued by the Company on 23 May 2008.

The first instalment of the consideration was satisfied by the Company through the allotment and issuance of 50.0 million new shares of the Company on 25 September 2008. Details of the acquisition are set out in note 30(a) to the financial statements which are set out in Appendix II of the circular, a circular issued by the Company on 23 May 2008 and announcement dated 25 September 2008.

Disposal and discontinued operation

On 26 November 2008, the Group entered into an agreement with an independent third party for the disposal of the entire issued share capital of First Union Limited ("First Union") and 北京光訊投資管理顧問有限公司 (Beijing eCyberChina Investment Management Consultancy Limited#), wholly owned subsidiaries of the Company incorporated in Hong Kong and in the PRC respectively, at a consideration of HK$35.0 million. Thereafter, the Group would discontinue operation of property investment. The disposal was approved by the shareholders at an extraordinary general meeting held on 19 January 2009 and the transaction was completed on 3 April 2009. Details of the disposal are set out in announcements issued by the Company on 1 December 2008 and 3 April 2009.

Connected Transactions

The Group has entered into the following connected transactions during the year and up to the date of this report:

(a) Loan agreement

During the year, a wholly owned subsidiary of the Company, entered into a loan agreement with China Post E-Commerce (Holdings) Limited ("China Post E-Commerce") for a loan from China Post E-Commerce of HK$9.0 million. The loan is interest bearing at 15% per annum. As at 30 June 2009, the total outstanding amount owed to China Post E-Commerce was approximately of HK$9.5 million.

(b) Referral income

During the year ended 30 June 2009, a wholly owned subsidiary of the Company has received a referral income of approximately HK$0.5 million from China Post E-Commerce.

(c) Sale and purchase agreement

On 27 August 2009, the Group entered into an agreement with a wholly owned subsidiary of China Post E-Commerce to dispose of 4% equity interests of iKanTV Limited ("iKanTV"), a 51% owned subsidiary of the Company, at a total consideration of HK$9.2 million, satisfied by setting off the outstanding loan due to China Post E-Commerce.

Mr. Lau Chi Yuen, Joseph is a connected person of the Company by virtue of his beneficial interest in China Post E-Commerce. Accordingly, the entering into the agreements and referral income received constituted connected transactions of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Except for the aforesaid, during the year ended 30 June 2009, no other connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

Business and Financial Review

The turnover generated from provision of outdoor media advertising and media related service were presented as continuing operations while the turnover generated from sales of properties and property rental income were presented as discontinued operation.

For the year ended 30 June 2009, loss attributed to equity holder of the Company was approximately HK$46.9 million (2008: HK$55.1 million). The improvement was mainly attributable to many factors. (1) During the year, provision of outdoor media advertising and media related service business remains the major source of our income. The outdoor media advertising and media related service business segment contributed a profit of approximately HK$4.3 million which represented a decrease of 15.7% comparing to the profit of approximately HK$5.1 million in last year. The decrease in business segment result is mainly due to an impairment loss of approximately HK$5.1 million was provided for the long outstanding trade receivables for the year. (2) Besides, the Group has suffered loss from discontinued operation of approximately HK$12.9 million (2008: gain of approximately HK$7.9 million). (3) During the year, the goodwill allocated to acquisition of Fadara Limited has been reduced to its recoverable amount through recognition of a full impairment of approximately HK$22.9 million (2008: HK$Nil). (4) No share-based payment expense was recognised as no share option was granted during the year (2008: approximately HK$21.4 million). (5) No extraordinary expense was incurred for the year for the resumption of trading of the Company's shares on the Stock Exchange of Hong Kong (2008: approximately HK$20.4 million). (6) Other administrative and operating expenses were decreased by approximately HK$7.4 million, as compared with last year, to HK$15.5 million. The reduction of these expenses mainly contributed to the effective cost control by the management during the year.

For the year ended 30 June 2009, the Group's total turnover amounted to HK$47.5 million, representing an increase of 200.6% compared with that of in 2008. The total revenue for the year was contributed from property investment and provision of outdoor media advertising and media related service. The performance of the property investment segment and provision of outdoor media advertising and media related services segment during the year is set out below:

The total turnover of property investment segment amounted to approximately HK$9.2 million (2008: HK$10.1 million), representing a decrease of 8.9% compared with that of in 2008. It comprised sales of properties amounting to approximately HK$7.0 million (2008: HK$5.6 million) and rental income amounting to approximately HK$2.2 million (2008: HK$4.5 million). The increase in turnover in sales of properties by approximately 25.0% as compared with last year was mainly attributable to two properties were sold in the year whereas one property was sold in last year. Gross profit of the sales of properties for the year was approximately HK$1.4 million (2008: HK$1.0 million). The decrease in turnover in rental income by approximately 51.1% as compared with last year was mainly attributable to the renovation and reconstruction of a shopping arcade in Inner Mongolia (the "shopping arcade") to satisfy the requirements of a new tenant, 北京居然之家投資控股集團有限公司 (Beijing Easyhome Investment Holding Group Co., Ltd.#). The construction was completed on 1 January 2009. Besides, the shopping arcade was disposed of on 3 April 2009. Details of the disposal are set out in note 11 to the financial statements which are set out in Appendix II of the circular. Gross profit from leasing of properties for the year was approximately HK$2.2 million (2008: HK$2.2 million).

Turnover from the provision of outdoor media advertising and media related services for the year ended 30 June 2009 was approximately HK$38.3 million (2008: HK$5.7 million). Turnover during the year ended 30 June 2009 was mainly contributed by L&L Partners' and Shanghai Win Media, which the Group has acquired in September 2009. Gross profit from provision of outdoor media advertising and media related services for the year was approximately HK$17.3 million (2008: HK$5.1 million).

The board of directors does not recommend the payment of any dividend for the year ended 30 June 2009 (2008: HK$Nil).

Major Events Subsequent to the Year

a. On 27 August 2009, China New Media Company Limited ("CNML"), a wholly owned subsidiary of the Company, entered into an agreement with a wholly owned subsidiary of a related company, China Post E-Commerce, to dispose of 4% equity interests of iKanTV, a subsidiary of CNML, at a total consideration of HK$9.2 million.

   The disposal was approved by the board of directors on 27 August 2009 and completed on 30 September 2009.

b. On 10 August 2009, 21 August 2009 and 14 September 2009, a total of 40.0 million warrants were exercised by the warrant holders for the issuance of 40.0 million ordinary shares of the Company at HK$0.2 per share. All the subscribed ordinary shares were issued and fully paid.

Liquidity, Financial Resources and Capital Structure

On 25 September 2008, the Company issued 50.0 million new shares of HK$0.01 each at a price of HK$0.232 per share as part of the consideration for the acquisition of the entire issued share capital of L&L Partners'.

As at 30 June 2009, the Group has net current assets of approximately HK$65.7 million (2008: net current liabilities HK$4.5 million) and equity attributable to equity holders of the Company of approximately HK$66.6 million (2008: HK$104.2 million). The decrease in equity attributable to equity holders of the Company as compared with last year was mainly attributable to funding of approximately HK$0.5 million generated from the issue of warrants in the year, applied to the net loss of HK$50.0 million incurred during the year. Bank and cash balances amounted to approximately HK$4.5 million as at 30 June 2009 (2008: HK$7.1 million).

As at 30 June 2009, the Group had short-term borrowings of approximately HK$4.4 million (2008: HK$1.5 million) and long term borrowings of approximately HK$9.0 million (2008: HK$Nil). The loans were subject to interests at prevailing commercial lending rate. The gearing ratio of the Group as at 30 June 2009, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 12.1% (2008: 1.0%).

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets

As at 30 June 2008 and 2009, there was no charge on the Group's assets.

Contingent Liabilities

As at 30 June 2009, the Group had contingent liabilities as follows:

	HK$'000
Possible claims arising from:	
Guarantee related to a former related company *(note (a))*	5,000
Indemnity related to a former subsidiary *(note (b))*	6,906
	11,906

Note:

(a) The Company issued a corporate guarantee to secure a leasing facility granted by a leasing company to a former related company.

(b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant, a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately an amount of RMB6.1 million related to transactions on or before the completion date. The existing management of World

Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts are covered by the amount accrued in the financial statements of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK$6.9 million (2008: HK$7.0 million), has been shown as contingent liabilities.

The Writ of Summons was served on the Company in February 2005, the Company has not received further claims from the plaintiff up to the date of approval of these financial statements.

Capital Commitments

As at 30 June 2009, the Group had capital commitments contracted but not provided for the financial statements in respect of contingent consideration for the acquisition of L&L Partners' of HK$200 million.

Employee and Remuneration Policy

The Group has 46 employees (including Directors) as at 30 June 2009 (2008: 18). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market. In addition, the Group adopts a share option scheme for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

(ii) For the year ended 30 June 2008

Significant Acquisitions

On 5 March 2007, the Company's wholly owned subsidiary, First Union entered into an agreement with the Vendor for purchasing a shopping arcade in Huhehaote, Inner Mongolia, the PRC at a consideration of RMB58.0 million. The Vendor has guaranteed First Union an annual rental income and net profit of the property not to be less than RMB9.0 million and RMB4.0 million respectively up to 27 February 2010. The transaction was completed on 30 June 2007, the Group commenced to enjoy the rental income generated from this shopping arcade from 1 July 2007.

On 12 December 2007, the Group entered into an agreement for the acquisition of the entire equity interest in Fadara Limited ("Fadara"). The principal activities of Fadara are engaged in provision of media management and consultancy services to advertising agencies in the PRC. This transaction has been approved by shareholders at an Extraordinary General Meeting held on 21 January 2008 and completed on 28 January 2008. Further details of the transaction were set out in the Company's Circular dated 4 January 2008.

On 3 April 2008 (as supplemented on 14 April 2008), the Group entered into an agreement for the acquisition of the entire equity interest in L&L Partners' Limited ("L&L Partners'") at a total consideration of HK$240.0 million. The transaction has been approved by shareholders at an Extraordinary General Meeting held on 18 June 2008 and completed on 25 September 2008. Further details of the transaction were set out in the Company's Circular dated 23 May 2008 and announcement dated 25 September 2008.

Business and Financial Review

For the year ended 30 June 2008, the Group's total turnover amounted to HK$15.8 million, representing an increase of 40.9% compared with that of in 2007. The total revenue for the year was contributed from property investment and provision of media management and consultancy services. The increase in turnover during the year was mainly attributable to the contributions from Fadara acquired in January 2008.

For the year ended 30 June 2008, loss attributable to equity holders of the Company was approximately HK$55.1 million (2007: HK$11.9 million). The increase in loss was attributable to the recognition of share option expenses of approximately HK$21.4 million (2007: Nil) in respect of 88,812,700 share options granted during the year and extraordinary expenses incurred in the year for the successful resumption of trading of the Company's shares on the Stock Exchange of Hong Kong of approximately HK$20.4 million. Loss per share for the year was HK8 cents (2007 (as restated): HK40 cents).

The board of directors does not recommend the payment of any dividend for the year ended 30 June 2008 (2007: Nil).

The performance of the property investment segment and provision of media management and consultancy services segment during the year is set out below:

During the year ended 30 June 2008, the total turnover of property investment segment amounted to approximately HK$10.1 million, representing a decrease of 9.9% compared with that of in 2007. It comprised sales of properties amounted to approximately HK$5.6 million (2007: HK$10.1 million) and rental income amounted to approximately HK$4.5 million (2007: HK$1.1 million). The decrease in turnover in sales of properties by approximately 44.7% as compared with last year was mainly attributable to three properties were sold in last year whereas one property was sold in the year. Gross profit of the sales of properties for the year was approximately HK$1.0 million. The substantial increase in turnover in rental income by approximately 303.1% as compared with last year was mainly attributable to the acquisition of a shopping arcade in Inner Mongolia (the "shopping arcade"). Gross profit from leasing of properties for the year was approximately HK$2.2 million. The shopping arcade is now being renovated and re-constructed the floor area (the "Construction") to satisfy the requirements of a new tenant, 北京居然之家投資控股集團有限公司 (Beijing Easyhome Investment Holding Group Co., Ltd.#). At the date of approval of these financial statements, the Construction is not yet completed.

The Group completed the acquisition of Fadara in January 2008. The media management and consultancy services income received/receivable for the year ended 30 June 2008 was approximately HK$5.7 million. The directors believe that the growth in the PRC economy, the demand of advertisement will continue to keep growth. Taking into consideration the prospect of the PRC advertising and marketing business in future, the directors believe that the acquisition of Fadara will allow the Group to have steady additional income in the coming years.

Major Event Subsequent to the Year

On 25 September 2008, the Group completed the acquisition of the entire issued share capital of L&L Partners', a company incorporated in the British Virgin Islands, who holds the entire issued share capital of Shanghai Win Advertising & Media Co., Ltd. ("Shanghai Winmedia"), an enterprise established in the PRC. L&L Partners' and Shanghai Winmedia are engaged in the provision of outdoor media advertising services.

Liquidity, Financial Resources and Capital Structure

On 18 May 2007, the Company announced, amongst other things, that it proposed to (i) consolidate every 100 issued and unissued shares of HK$0.2 each into one consolidated share of HK$20 each in the capital of the Company; (ii) cancel capital paid up to the extent of HK$19.99 per consolidated share in issue and to reduce the nominal value of all consolidated shares to HK$0.01 per share; and (iii) increase the authorized share capital, after reduction, from HK$0.4 million to HK$200.0 million by the creation of 19,960,000,000 new shares of HK$0.01 each. A special resolution was passed by shareholders of the Company at an extraordinary general meeting held on 25 June 2007 to approve the capital reorganization which was then sanctioned by the court on 31 July 2007.

On 5 October 2007 and 23 November 2007, 860,250,000 and 44,000,000 new shares of HK$0.01 each were issued at a price of HK$0.12 per share under an open offer and an arranger agreement respectively from which a total fund of approximately HK$100.0 million was raised to strengthen the Company's financial position for future potential investments.

On 28 January 2008, the Company issued 36,360,000 new shares of HK$0.01 each were issued at a price of HK$0.63 per share as settlement of the consideration for the acquisition of the entire issued share capital of Fadara.

On 3 April 2008, the Company entered into a placing agreement for the placing of 80,000,000 ordinary shares of the Company to independent placees at an issue price of HK$0.2 per share. The net proceeds of approximately HK$15.7 million are used as general working capital of the Group.

As at 30 June 2008, the Group has net current liabilities of approximately HK$4.5 million (2007: HK$4.8 million) and equity attributable to equity holders of the Company of approximately HK$104.2 million (2007: deficit attributable to equity holders of the Company of approximately HK$4.6 million). The significant increase in equity attributable to equity holders of the Company as compared with last year was mainly attributable to funding of approximately HK$139.7 million generated from the issue of new shares throughout the year, partially applied to the net loss of HK$55.1 million incurred during the year. Bank and cash balances amounted to approximately HK$7.1 million as at 30 June 2008 (2007: HK$4.2 million).

As at 30 June 2008, the Group had short-term borrowings of approximately HK$1.5 million (2007: HK$17.1 million) and no long-term borrowings (2007: HK$13.4 million). The loans were subject to interests at prevailing commercial lending rate. The gearing ratio of the Group as at 30 June 2008, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 1.0% (2007: 100.0%).

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets

As at 30 June 2007, the Group had pledged the shares of one subsidiary and the interest of an investment property to be acquired for the purpose of obtaining an interest bearing loan. During the year, the aforesaid loan had been fully settled and the security had been released. As at 30 June 2008, there was no charge on the Group's assets.

Contingent Liabilities

At at 30 June 2008, the Group had contingent liabilities as follows:–

		HK$'000
(a)	Possible claims arising from:	
	Guarantee related to a former related company	5,000
	Indemnity related to a former subsidiary *(note (c))*	7,000
		12,000

(b) The Hong Kong Inland Revenue Department had carried out a review in respect of the deductibility of management fees paid by a subsidiary, First Union, to the Company during the years of assessment 2000/01 to 2004/05 in the sum of HK$30,247,000 and was of the opinion that the management fees paid were excessive. First Union was asked to propose a basis for adding back excessive management fees and adjust the tax computations.

No provision had been made in the financial statements for the year ended 30 June 2007 as the directors of First Union were contesting the Hong Kong Inland Revenue Department's opinion and the result could not be reasonably estimated.

The review was finalised by the Hong Kong Inland Revenue Department during the year ended 30 June 2008 according to a proposal submitted by First Union, resulting in a balance of Hong Kong profits tax payable of approximately HK$1,997,000.

(c) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant, a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately RMB6.1 million was related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts are covered by the amount accrued in the accounts of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK$7 million (2007: HK$5.8 million), has been shown as contingent liabilities.

Since the Writ of Summons was served on the Company in February 2005, the Company has not received further claims from the plaintiff up to the date of approval of these financial statements.

Employee and Remuneration Policy

The Group has 18 employees (including directors) as at 30 June 2008 (2007: 13). The Group recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market. In addition, the Group adopts a share option scheme for eligible employees (including directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

(iii) For the year ended 30 June 2007

Business Review

During the year ended 30 June 2007, the Group was mainly engaged in property investment.

Turnover

The total revenue for the year was approximately HK$11 million, 100% contributed from the property segment.

The total revenue from the property segment for the year was approximately HK$11.2 million. The Group's net loss for the year was approximately HK$11.9 million (2006: HK$24.0 million). Total administrative and other operating expenses amounted to approximately HK$11.9 million (2006: HK$15.3 million). Total finance costs amounted to approximately HK$5.1 million (2006: HK$10.2 million).

Liquidity and Financial Resources

As at 30 June 2007, the Group had current assets amounted to approximately HK$16.8 million and current liabilities amounted to approximately HK$21.6 million. The gearing ratio, which was computed on the basis of the aggregate borrowings divided by the amount of total assets, was 100.0% (2006: 48.3%). This situation has been improved when the Group successfully raised funds of approximately HK$101.1 million from the issue of new shares under an open offer in early October 2007.

As at 30 June 2007, the Group had short-term loan amounted to approximately HK$17.1 million (2006: HK$1.5 million) and long-term borrowings amounted to approximately HK$13.4 million (2006: HK$21.4 million). The loans were charged with interests at prevailing commercial lending rates.

The Group did not have any hedging activities against its foreign exchange exposure nor did not adopt any formal hedging policies. During the year ended 30 June 2007, the Group carried out its business in the PRC and most of the transactions were denominated in RMB and Hong Kong Dollars. The Group's assets and liabilities were mainly denominated in Hong Kong Dollars. During the year of review, the management of the Group considered the risk exposure on foreign exchange to be minimal.

Charge on Group's Assets

As at 30 June 2007, the Group had pledged the shares of one subsidiary and the interest of an investment property to be acquired for the purpose of obtaining an interest bearing loan.

Working Capital

The Company had successfully raised capital of HK$101.1 million in October 2007. The funds are sufficient for the Group's development projects and to meet its working capital requirements.

Capital Commitments

As at 30 June 2007, the Group had capital commitments contracted but not provided for the financial statements in respect of acquisition of investment property of approximately HK$59.3 million.

Significant Investment and Material Acquisition

The Group signed a sale and purchase agreement in March 2007 acquiring a shopping arcade in Inner Mongolia. The transaction was completed on 30 June 2007. The guaranteed revenue and profit generated from this shopping arcade will be reflected in the financial year 2007/08.

Contingent Liabilities

As at 30 June 2007, the Group had contingent liabilities as follows:-

		HK$'000
(a)	Possible claims arising from:	
	Guarantee related to former company	5,000
	Indemnity related to former subsidiary *(note c)*	5,800
		10,800

(b) The Hong Kong Inland Revenue Department had carried out a review in respect of the deductibility of management fees paid by a subsidiary, First Union, to the Company during the years of assessment 2000/01 to 2004/05 in the sum of HK$30,247,000 and was of the opinion that the management fees paid were excessive. First Union was asked to propose a basis for adding back excessive management fees and adjust the tax computations. Assessable profits would be arisen if the total amount of management fees being considered as excessive was greater than the current balance of First Union's unused tax losses of approximately HK$4,984,000 and Hong Kong profits tax will be charged at the rate of 17.5%. No provision has been made in the financial statements as the directors of First Union are contesting the Hong Kong Inland Revenue Department's opinion and the result cannot be reasonably estimated at this stage.

(c) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant, a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant in the aggregate amount of approximately HK$8 million, including the late payment surcharge levied by the tax authority, of which approximately HK$5.8 million was related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately HK$5.8 million. However, such amounts are covered by the amount accrued in the accounts of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes.

Staff Policy

There was no change on the staff policy during the year under review. A comprehensive and competitive remuneration retirement scheme and benefits package has been provided to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution. The Group has adopted a provident fund scheme, as required under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET

Financial information of the Target

	Period from 10 August 2009 (date of incorporation) to 31 December 2009 *HK$'000*
Turnover	–
Loss before tax	(9)
Loss for the period	(9)

	As at 31 December 2009 *HK$'000*
Total assets	–
Total liabilities	(9)
Net liabilities	(9)

Business and Financial Review

As the Target has not commenced business since the date of its incorporation on 10 August 2009, the Target has no turnover, the net loss before and after tax of approximately HK$0.009 million for the period ended 31 December 2009.

Liquidity, Financial Resources and Capital Structure

At the date of incorporation, 10 August 2009, 1 ordinary share of US$1 each was issued for initial working capital.

As at 31 December 2009, the Target has net liabilities of approximately HK$0.009 million and deficits attributable to equity holders of the Company of approximately HK$0.009 million.

The Target has no borrowings as at 31 December 2009.

The Target has not commenced business during the period ended 31 December 2009. Liabilities are principally denominated in Hong Kong dollars.

Charge on Assets

As at 31 December 2009, the Target had no charge on the assets.

Contingent liabilities

As at 31 December 2009, the Target had no contingent liabilities.

Capital commitments

As at 31 December 2009, the Target had no capital commitments.

Employee and Remuneration Policy

As the Target has not commenced business since the date of its incorporation on 10 August 2009, the Target did not recruit any employee as at 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE PRC COMPANY

Financial information of the PRC Company

	Period from 11 April 2008 (date of establishment) to 31 December 2008	Year ended 31 December 2009
	HK$'000	*HK$'000*
Turnover	–	–
Loss before tax	(170)	(165)
Loss for the period/year	(170)	(165)

	As at 31 December 2008	As at 31 December 2009
	HK$'000	*HK$'000*
Total assets	2,215	2,072
Total liabilities	(124)	(138)
Net assets	2,091	1,934

(i) For the period ended 31 December 2008

Business and Financial Review

As the PRC Company has not commenced business since the date of its establishment on 11 April 2008, the PRC Company has no turnover, the net loss before and after tax of approximately HK$0.170 million for the period ended 31 December 2008.

Liquidity, Financial Resources and Capital Structure

Upon the date of establishment, 11 April 2008, the registered capital of the PRC Company was RMB 2 million, which was contributed for cash to provide initial working capital.

As at 31 December 2008, the PRC Company has net assets of approximately HK$2.091 million and equity attributable to equity holders of the Company of approximately HK$2.091 million.

The PRC Company has no borrowings as at 31 December 2008. The PRC Company has not commenced business during the period ended 31 December 2008. Assets and liabilities are principally denominated in Renminbi, therefore, the PRC Company's exposure to exchange rate risk is limited.

Charge on Assets

As at 31 December 2008, the PRC Company had no charge on the assets.

Contingent liabilities

As at 31 December 2008, the PRC Company had no contingent liabilities.

Capital commitments

As at 31 December 2008, the PRC Company had no capital commitments.

Employee and Remuneration Policy

The PRC Company has 1 employee as at 31 December 2008. The PRC Company recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market.

(ii) For the year ended 31 December 2009

Business and Financial Review

As the PRC Company has not commenced business since the date of its establishment on 11 April 2008, the PRC Company has no turnover, the net loss before and after tax of approximately HK$0.165 million for the year ended 31 December 2009.

Liquidity, Financial Resources and Capital Structure

There has no change in capital structure in 2009.

As at 31 December 2009, the PRC Company has net assets of approximately HK$1.934 million and equity attributable to equity holders of the Company of approximately HK$1.934 million.

The PRC Company has no borrowings as at 31 December 2009.

The PRC Company has not commenced business during the year ended 31 December 2009. Assets and liabilities are principally denominated in Renminbi, therefore, the PRC Company's exposure to exchange rate risk is limited.

Charge on Assets

As at 31 December 2009, the PRC Company had no charge on the assets.

Contingent liabilities

As at 31 December 2009, the PRC Company had no contingent liabilities.

Capital commitments

As at 31 December 2009, the PRC Company had no capital commitments.

Employee and Remuneration Policy

The PRC Company has 1 employee as at 31 December 2009. The PRC Company recruits and promotes individuals based on their performance and development potential in the positions held. Remuneration package is determined with reference to an employee's performance and the prevailing salary scale in the market.

REASONS FOR THE ACQUISITION

The Group is principally engaged in provision of outdoor media advertising and media business related services.

The Directors have been actively exploring potential investment opportunities in the PRC to strengthen the market position of the Group and to expand the existing business of the Group of outdoor media advertising and media business related services. The Directors are optimistic about the expansion in developing indoor advertising business in facilitating the advertising operation in the PRC through operating chain broadcasting networks of large screen television channels at the atriums of major shopping malls and department stores in the PRC. The Directors consider that the Acquisition will reinforce the marketing position of the Group in the PRC advertising business sector and will expand and enhance the existing business of the Group.

Taking into consideration the future prospects of the PRC advertising and marketing business, the Directors believe that the Acquisition will allow the Group to have an additional and steady income source in the coming years.

In view of the above, the Directors are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has no intention to dispose of or make changes to the existing business of the Company or to change the composition of the Board upon Completion.

FINANCIAL EFFECTS ON THE GROUP

Upon Completion, the Target Group will become a wholly-owned subsidiary of the Company. The financial results of the Target Group will be consolidated into the accounts of the Group.

Set out in Appendix IV of this circular is the unaudited pro forma consolidated financial information of the Enlarged Group. Based on the unaudited pro forma consolidated financial information of the Enlarged Group, the consolidated total assets of the Enlarged Group would be increased by approximately 1,123% from approximately HK$111.257 million to approximately HK$1.357 billion upon Completion. A goodwill of approximately HK$1.245 billion is estimated on the assumption that the fair value of the net assets of the Target Group is the same as their carrying amount as at 31 December 2009. The amount of goodwill is to be recorded will depend on the fair value of the net assets of the Target Group to be determined on Completion. The goodwill is calculated as the excess of the cost of the Acquisition over the 100% of total fair value of the identifiable assets and liabilities of the Target acquired as at 30 June 2009 less the Target's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the PRC Company exceeded the Loan Receivables ("Negative Goodwill") as at that date.

The cost of the Acquisition of approximately HK$1.242 billion is calculated as the summation of the following:

(a) the issue of 100,000,000 Consideration Shares at the issue price of HK$0.13 per share upon the Completion to give rise to the consideration of a total amount of HK$13.000 million. The issue price of HK$0.13 per share has been determined after arm's length negotiations between the Company and the Vendor by reference to the market price for the Shares.

(b) the issue of Convertible Bonds upon the Completion to give rise to the consideration of a total amount of approximately HK$1.229 billion.

The fair value of the Target's identifiable assets and liabilities acquired is negative of HK$0.009 million as at 30 June 2009, which is calculated based on (a) the audited net liability value of the Target of HK$0.009 million as at 31 December 2009 plus (b) the Loan Receivables, being the cost of investment in the PRC Company, of HK$3.403 million as at 30 June 2009 less (c) the advancement from the Vendor of HK$3.403 million.

The cost of investment of HK$3.403 million represents (a) the audited net asset value of the PRC Company of HK$1.934 million as at 31 December 2009 plus (b) increase in paid-up capital of the PRC Company amounted to HK$3.403 million by the existing equity holders of the PRC Company less (c) the Negative Goodwill of HK$1.934 million arising from the acquisition of 100% equity interest in the PRC Company from its existing equity holders.

The market value of Consideration Shares that should be issued and, accordingly, the goodwill, will be subject to further changes upon the completion of the Acquisition.

Based on the unaudited pro forma consolidated financial information of the Enlarged Group, the consolidated total liabilities of the Group would be increased by approximately 2,079% from approximately HK$47.723 million to approximately HK$1.046 billion.

The Consideration of approximately HK$1.242 billion will be satisfied as to HK$13.000 million by the issuance of the Consideration Shares and to HK$1.229 billion by the issuance of the convertible bonds. As Consideration Shares will be issued upon Completion, the amount of share capital and share premium will be increased.

The Group recorded an audited turnover from continuing operation of approximately HK$38.344 million and loss attributable to Shareholders of approximately HK$46.936 million for the year ended 30 June 2009. The Target and the PRC Company have not commenced business since the date of its incorporation and establishment on 10 August 2009 and 11 April 2008 respectively, the Target and the PRC Company have no turnover. The net loss before and after tax of the Target was approximately HK$0.009 million for the period ended 31 December 2009. The net loss before and after tax of the PRC Company was approximately HK$0.165 million for the year ended 31 December 2009. The Acquisition will not have any immediate effect on the earnings of the Group.

PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Target Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the revenue and gross profit of the Group for the year ended 30 June 2009 was approximately HK$38.344 million and HK$17.346 million, respectively, and the unaudited pro forma revenue and gross profit of the Enlarged Group will remain as HK$38.344 million and HK$17.346 million, respectively, after Completion.

Looking forward, in 2010, after Completion, the Enlarged Group will continue with its existing principal business of the Group in provision of outdoor media advertising and media business related services. In addition, the Acquisition will enable the Enlarged Group to expand into a new line of businesses. The Directors are of the view that the Acquisition will enhance the operation base and the future income base of the Group. The consolidation of the media advertising business of the Target Group in the Enlarged Group will create meaningful synergies and strengthen the overall competitiveness of the Group, particularly: (i) the capability of providing a wider scope of media advertising and media business related services to clients; (ii) the potential of cross-selling media advertising services to clients with different requirements; and (iii) the potential benefit to the Company in better allocating and managing such resources as staff and sales and marketing personnel in carrying out the operation of the Enlarged Group. The Directors also believe that the Acquisition will lead to the diversification of the Group's media advertising business portfolio, thereby providing significant growth potential for the Group.

While the proposed Acquisition will enlarge the Group's income base and the future income base, in view of the issuance of the Convertible Bonds, the gearing of the Enlarged Group will increase.

In view of the synergistic benefits of the proposed Acquisition, the Directors believe that the risks associated with the higher gearing of the Enlarged Group are outweighed by the potential benefits of the proposed Acquisition. Therefore, the Directors believe that the proposed Acquisition is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition on the part of the Company under the Listing Rules and is subject to the approval of the Shareholders at the EGM. To the best of the Directors' knowledge, information have made all reasonable enquiry, each of the Vendor, the Guarantor and their respective associates is an Independent Third Party and does not hold any Shares as at the Latest Practicable Date. Accordingly, no Shareholder is required to abstain from voting at the EGM.

Pursuant to the Listing Rules, the resolution proposed at the EGM will be taken by way of poll and an announcement will be made after the EGM on the results of the EGM.

EGM

Set out on pages 162 to 163 is a notice convening the EGM to be held at Unit 4102, 41/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Monday, 19 April 2010 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

RECOMMENDATION

The Board considers that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
China Outdoor Media Group Limited
Lau Chi Yuen, Joseph
Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Ample, an independent valuer, in connection with its valuation as at 31 August 2009 of the Target Group.

AmCap
Ample Appraisal Limited
豐盛評估有限公司

Ample Appraisal Limited
豐盛評估有限公司
Unit A, 14/F, Two Chinachem Plaza
135 Des Voeux Road Central, Central, Hong Kong
Tel: (852) 2545-3065 Fax: (852) 2545-3267
Website: www.amplecap.com

26 March 2010

The Board of Directors
China Outdoor Media Group Limited
Unit 1803, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal for the objective as stipulated below.

OBJECTIVE

This report was prepared to make an independent opinion on the fair market value of the 100 percent equity interests in GMG Media Group Limited (the "Assets" or the "Target") as of 31 August 2009 (the "Appraisal Date") for the purpose of internal accounting reference only. The Target is wholly owned by Fully Wealthy Inc. (the "Vendor") and would be acquired by China Outdoor Media Group Limited (the "Company").

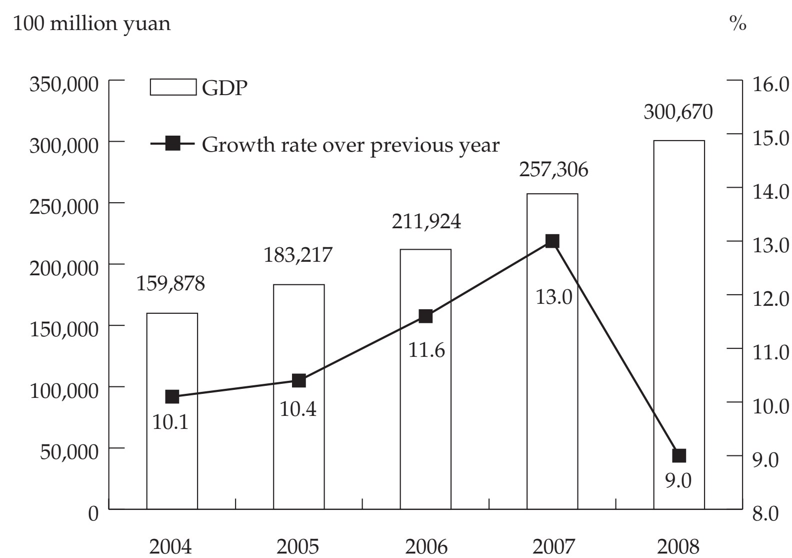
BACKGROUND

The Target is principally engaged in the operation and organization of advertisement and marketing promotion event targeting high-end consumers with deployment of wide-screen display in shopping malls and department stores in Mainland China, in particular to Beijing, Shanghai and Guangzhou, through 北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited), a company established in the People's Republic of China (the "China").

The Target aims to develop as the largest indoor media enterprise in Mainland China which would consolidate and link up 100 wide-screen display in major shopping malls and department stores in Beijing, Shanghai, Shenzhen and Guangzhou until early 2014.

INDUSTRY REVIEW

The economy of China is growing at a very fast pace in recent years. According to China Statistics Bureau, China's GDP grew at rate ranged from 9% to 13% in 2004–2008 as shown below.



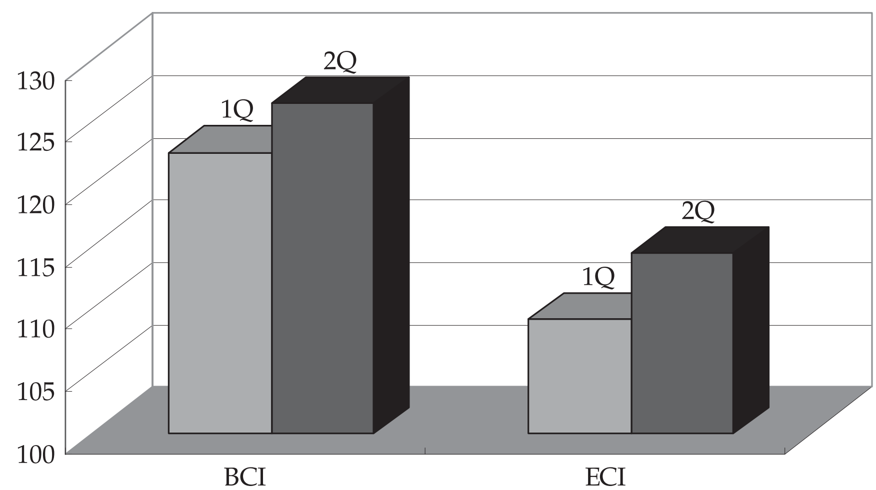
Source: National Bureau of Statistics of China

A lot of investors and people have agreed that China would be an inevitably major market for various products and services. Even under the situation of financial tsunami in late 2008, the economy of China would be expected to have more than 8% growth for 2009. It shows a compelling reason for optimistic view on overall long-term economy of China in the market and some economists prediction of China being the largest economies in future.

Early 2009, the central government of China has announced economic stimulus program with RMB4 trillion budget to cope with the financial tsunami and emphasized the importance of internal consumption. It is commonly acknowledged that the consumption portion in China's GDP is low for the time being and thus would have a big room for increase to support sustainable long-term economic growth. Internal consumption will definitely support flourish prospect of advertisement industry in China.

From National Bureau of Statistic of China, the wholesales and retails market is recovering while the confidence index is improving. The 2nd quarter figure has a great improvement from 1st quarter 2009 as shown below.

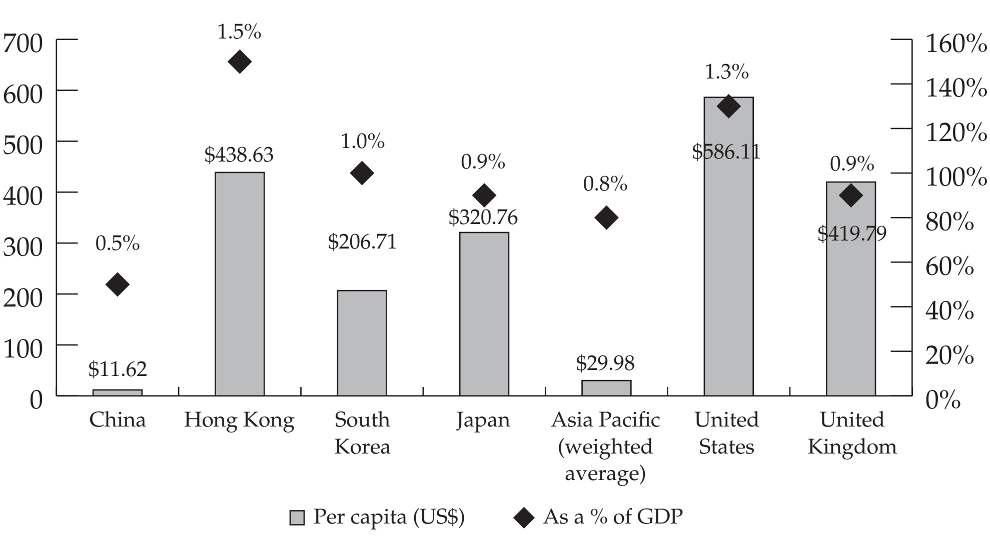
2009 China Wholesales & Retails



Source: National Bureau of Statistics of China

According to National Bureau of Statistics of China, China advertising spending accounted for 0.5% of GDP and US$11.62 per capita in 2007 which were relatively low comparing the respective weighted average 0.8% and US$29.98 in Asia Pacific region and much lower than mature economy like the United States, United Kingdom, etc. as shown in the chart below.

Advertising Spending in 2007

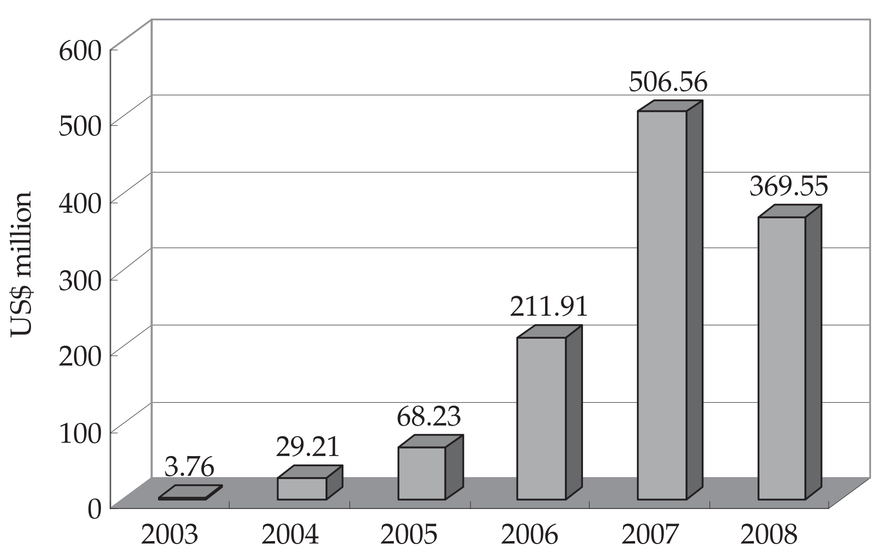


Source: National Bureau of Statistics of China

According to the ZenithOptimedia's forecast, (i) China advertising market will have about 5.4% growth and will overtake United Kingdom to become the fourth largest advertising market in the world by the end of 2009; (ii) advertising spending was approximately US15.4 billion in 2007 and was expected to grow at 12.8% CAGR to US$25 billion in 2011, which representing approximately 20% of total advertising spending in Asia Pacific region compared with 15% in 2007. ZenithOptimedia is one of the world's largest media services groups.

Blooming advertising market in China could be verified from the business of key players, such as Focus Media Holding Limited (the "Focus Media"). Focus Media was founded in 2003 and provides a broad portfolio of media advertising platforms. Media advertising platforms includes commercial location network, in-store network, poster frame network, mobile handset advertising network (through Focus Media wireless) and outdoor LED network. Commercial location media network covers office buildings and shopping centres. Flat-panel television displays are installed in the elevator or at the locations by elevator bank on the ground floor or in the underground parking lobby, which broadcast advertisements throughout the day. Its revenue has increased rapidly from US$3.76 million in 2003 to US$369.55 million in 2008, representing 150% CAGR, as shown in below chart. Though the revenue dropped a certain percentage in 2008 compared with 2007, it was expected a short-term impact from slump in stock market in China during 2008 and global financial crisis starting from 4th quarter in 2008. As (i) Focus Media is engaged in a similar business as the Target Group, which operates flat-panel television displays to broadcast advertisements in shopping centres; and (ii) the availability, transparent and reliability of data, only information relating Focus Media was used.

Focus Media – Revenue



Source: Bloomberg, www.focusmedia.cn

From the experience of US, about 70% retails expenditure is spent in shopping mall in urban area. As retailers face increased competition in all sectors, consumers are demanding more than just low prices. Consumers want a shopper friendly atmosphere and a range of competitively priced products and services that will enhance the shopping experience. Shopping mall would provide such conditions to consumers and have edge over shops along streets.

Mall media advertising is the perfect way to impact consumers as they are about to make their final purchasing decisions. Shopping malls are dynamic and exciting destinations, drawing people to shop, dine and socialize. Each day, mall advertising campaigns reach communities of shoppers. Malls offer an affordable and efficient media opportunity for advertisers to reach targeted audiences.

In view of continuous high growth of economy, internal consumption policy focus and relatively low level of portion of GDP and spending per capital for advertising business, there is a flourish landscape for advertising industry in China. Mall shopping would be a major trend for retail consumers in major cities in China. Mall advertising and promotion business would be expected flourish.

DEFINITION AND BASIS OF APPRAISAL

We have been asked to evaluate the fair market value of the Assets. Fair market value is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Regarding the appraisal on the Assets, as part of our analysis we have been furnished with information prepared by the Vendor and the Target, including but not limited to the business plan, profit forecast and cash flow projection (collectively, the "Material Information"). We have also conducted personal interviews with Mr. Jiang, the shareholder of the Vendor, and senior management of the Target. We have relied to a considerable extent on such information provided by the Vendor and the Target.

APPRAISAL METHODOLOGY

There are three generally accepted valuation methodologies, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established used market may be appraised by this approach.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. Actual costs incurred for the upgrading of the assets to be appraised will also be considered in this approach. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

Income approach serves to estimate value by discounted cash flow method. With this method, the fair market value of the Assets is equal to the present value of the future economic benefits of the ownership of the Assets. This approach involves estimation of future benefits of the assets and determination of appropriate discount rate. The discount rate has to reflect systematic as well as unsystematic risks.

The cost of equity explaining systematic risk was developed through the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole, but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic; other risks are referred to as nonsystematic. According to the CAPM, the cost of equity is equal to the return on risk-free securities, plus the average comparable company's systematic risk (beta), multiplied by the market risk premium.

In this appraisal, we have considered income approach and market approach. Finally, we concluded income approach would be more appropriate in view of start-up nature of the Target.

With the income approach, it is commonly accepted that discounted cash flow model ("DCF") would be a fair and practical model to appraise the fair market value of the Assets.

Size risk, lack of marketability and company-specific risks have accounted for unsystematic risk and appropriate adjustments had been made in determination of concluded opinion on the value of the Assets.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of empirical studies were conducted in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings.

INVESTIGATION

We confirm that we have made relevant inquiries and obtained further information we considered necessary for the purpose of providing our opinion. We have discussed with the senior management of the Target in respect of the history and nature of the business and the operation of the Assets, and reviewed the information provided by them and market information from our research. Among such information, business plan (the "Business Plan") and five-year profit forecast (the "Profit Forecast") were the crucial document for us in this valuation and their realization would depended to quite a great extent on the validity of major assumptions stipulated hereinafter. We have assumed that such information, opinions and representation provided to us are true and accurate and will continue to be true in the future.

Before arriving at our opinion of value, we have considered, inter alia, the following factors:

- the nature of the business;

- the economic outlook of Mainland China in general;
- the general outlook of media advertisement industry in China;
- future challenges and developments of the business of the Assets;
- the financial condition of the Assets;
- market-derived investment returns of entities engaged in a similar line of business; and
- the specific risk of the Assets.

ASSUMPTIONS

In preparing this appraisal, a number of assumptions had to be established for supporting our concluded opinion on the fair market value of the Assets. The following assumptions were considered to be applicable to the appraisals in connection with the Assets and have significant sensitivity effects in this appraisal. These assumptions have been re-evaluated and validated in order to provide a reasonable basis in arriving at our assessed value. The major assumptions adopted in this appraisal were as follows:

Political Environment

There will be no major changes in the existing political, legal, and economic conditions in China.

Collaboration with Major Shopping Malls and Department Stores

It was assumed that the planned collaboration with major shopping malls and department stores in the Mainland China would be carried out on time and smoothly in future. The Target aimed to establish collaboration with numerous malls and department stores and install 100 wide-screen displays in Beijing, Shanghai, Shenzhen and Guangzhou by early 2014. As per representation from the management of the Target, study of the list of prospective malls and department stores and key management of malls and department stores in China, review of signed Memorandum of Understandings (the "MOUs") with malls and department stores, the Business Plan and the Profit Forecast, we understood that (i) the Target signed the MOUs in relation to carrying out wide-screen display business with more than 20 malls and department stores in China; (ii) the Target procured good relationship with 中國百貨商業協會 (China Commerce Association For General Merchandise) which would assist in building up the planned mall and department store network for the Target; (iii) the Target had built up an extensive network with senior management of numerous malls and department stores in China; and (iv) the Target had built demo site in Shanghai and carried out relevant business activities.

Revenue and Rate

The rate was assumed at range of RMB15,000 – RMB20,000 for 30-second per mall or department store per month which was set at about 20% to 40% discount to the current rate of Focus Media, a leading media advertising company in China by the management of the Target in bid to enhance the competitiveness of the Target.

The occupancy rate for the displays was assumed from the initial stage of 20% to mature stage of 80% which was reasonable in view of reasonable time for building up of client base and popularity of the malls and department stores and benchmarking with Focus Media which achieved more than 90%. The rate was assumed to have 10% to 15% annual increase in the period of 2011 to 2014 which was considered as possible in light of its discount to current market rate, continuous high economic growth in China, increasing occupancy rate and its monopoly advantage in the relevant malls and department stores. These assumptions made reference to Focus Media only due to their availability, transparent and reliability of data. Should the rate increase or decrease by 10%, the valuation of the Assets would change in the range of -15.9% to 15.9%.

Management

The Target will retain competent management, key personnel, and technical staff to support their ongoing operation. Though the Target was at green stage, core management team was in place and detail planning of organization structure for each city of development was also made. In addition, the Company was carrying out media advertisement business which would be reasonably believed the Company would support the Target after acquisition of the Target in perspectives of management and business development.

Market Trend

Trends and market conditions for the operation of the relevant market in China will not deviate significantly from economic forecasts. Variations between existing and future industry competition landscape were insignificant.

Wide-screen Display Technology

According to the Business Plan, the Target had advantage in respect of indoor wide-screen display technology in China currently in terms of its visual quality, including but not limited to high brightness, big screen, low maintenance cost, long endurance, and such advantage would be assumed to be retained in future. Wide-screen display was supplied by a related company in Guangzhou which had committed to provide and rent the display system timely and on a constant cost basis upon request from the Target from time to time.

Capital Expenditure

Captial expenditure was expected minimal due to leasing and rental approach for display systems were adopted by the Target.

Revenue Sharing

In bid to motivate the malls and department stores for collaboration, 20% revenue sharing was set as standard offer to the malls and department stores. With MOUs for more than 20 malls and department stores signed by the Target, it was reasonably believed that 20% sharing was acceptable in the market and fair estimation of cost in the business operation for the Target. Should the revenue sharing portion increase or decrease by 10%, the valuation of the Assets would change in the range of -4.3% to 4.3%.

Administration Expenses

Staff cost accounted for the majority of the estimated administration expenses which should be managed with a high certainty by the Target in view of its simple operation model which would allow the Target have great flexibility in searching talent.

Long-term Growth Rate

In view of increasing competition, increasingly mature market in future, and limited 4 top-tier cities in China in accordance with the Business Plan, the long-term growth rate was assumed to be 3% per annum in line with general nominal growth rate of mature economies. Should the growth rate increase or decrease by 10%, the valuation of the Assets would change in the range of -4.5% to 5.0%.

Discount Factor

Having considered comparable companies, including Focus Media (FMCN.U), Airmedia (AMCN.U), VisionChina (VISN.US), Clear Media (100.HK), an average beta of 0.98 was concluded for this appraisal. Finally, CAPM was adopted to determine the discount rate of 8.97%. Should the discount rate increase or decrease by 10%, the valuation of the Assets would change in the range of -15.1% to 20.5%.

Discount to Lack of Marketability

It is commonly accepted in investment market that there would be reasonably 30% to 60% discount for private equity investment compared with listed equity due to its lack of marketability. In view of lack of marketability of the Assets and its start-up nature, 60% discount for lack of marketability was considered as appropriate to be applied in this appraisal. Should the discount increase or decrease by 10%, the valuation of the Assets would change in the range of -15.0% to 15.1%.

APPRAISAL COMMENTS

In our opinion, advertising industry is promising in China. Advertising in mall would be effective and attractive to advertisers due to right timing, right target audience and right place. Thus, the business in this sector would have big room for development.

The value of the Target is principally based on timely establishment of an extensive network of advertising media channel across more than hundred malls in major cities in China. Though it is just a developing stage for the Target at this moment with prototype project in Shanghai and nil commercial income to date, the Target has shown to us its technical feasibility by on-site demonstration of the whole working systems of the wide-screen displays in the malls and department stores in Shanghai. The senior management of the Target had built relationship with tens senior executives from different malls and department stores through an executive training course in Qing Hua University for senior management of shopping malls in China. A strategic cooperation agreement with China Commerce Association For General Mechandise was signed for promotion of the Target's business. The Target had signed MOUs for more than 20 malls and department stores in about a month. In addition, a list of prospecting malls and department stores was provided and a certain good relationship with senior management of such malls and department stores was informed. The development of such network seems having a good start and quite on track for the Profit Forecast at this moment.

With the assumption of successful establishment of the extensive network of media channel, the Target would have strong bargaining power in the market against advertisers and its clients while it would be a quasi-monopoly of its kind in the relevant malls and department stores. As a result, a lot of strategies, such as pricing, client mix, costing, etc., would be implemented in line with the planning of the management of the Target and the Profit Forecast and the Business Plan. At present, the Target is at early development stage of its business and such network has yet established. This appraisal was done based on numerous assumptions of which important assumptions were listed out in the section "Assumptions" of this report. Without the validity of these assumptions including Collaboration with Major Shopping Malls and Department Stores which related to extensive network building, the valuation of the Assets would be affected to a great extent negatively or positively depending on the respective difference being positive or negative.

It is unavoidable that a certain high level of risk would be involved in the course of business development of the Target due to its start-up nature. In this stage, high-calibre management and strong support from shareholders would be crucial in bid to enhance the possibility of success of the Target. At the moment, the management has shown their capability by successfully and efficiently signing important MOUs, and provision of vision through the Business Plan, the Profit Forecast and various meeting. In the mean time, support from shareholder, i.e. the Company after the relevant acquisition, would be strong while the Company showed strong interests in investing in the Target.

OPINION OF VALUE

Based on the aforesaid investigation, analysis and appraisal method employed, it is our opinion that, as of, the fair market value of the Assets is reasonably stated in the range of **RENMINBI ONE BILLION TWO HUNDRED AND TWENTY-TWO MILLION (RMB 1,222,000,000)**.

The opinion of value was based on generally accepted appraisal procedures and practices with reference to the Uniform Standards of Professional Appraisal Practice (USPAP), published by the Appraisal Foundation authorized by the Congress in US which is widely adopted by international appraisal industry for valuation of different kinds of tangible and intangible assets, that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we do not have interests in the Assets or the value reported.

Yours faithfully,
For and on behalf of
AMPLE APPRAISAL LIMITED

Johnny Law	**K. Y. Mak**
CPA (Aust)	*CFA, CPA*
Senior Vice President	*Chief Technical Adviser*

Note: Mr. K.Y. Mak, CFA CPA, has conducted business appraisal in the Greater China region since 1997 among which includes a media advertising business in China listed in the United States.

Mr. Johnny Law, CPA (Aust) has conducted business valuation in the Great China since 2005 among which includes a media advertising business in China listed in the United States.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial information of the Group for the six months period ended 31 December 2008 and 2009 as extracted from interim reports of the Company and each of three years ended 30 June 2007, 2008 and 2009 as extracted from the annual report of the Company are set out below.

CONSOLIDATED INCOME STATEMENT

	For the six months ended 31 December		For the year ended 30 June		
	2008	2007	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Restated)	(Restated)
Continuing operations					
Turnover	18,176	–	38,344	5,694	–
Direct costs	(7,464)	–	(20,998)	(569)	–
Gross profit	10,712	–	17,346	5,125	–
Other income	1,599	302	3,775	719	1,684
Impairment of goodwill	–	–	(22,923)	–	–
Administrative and other operating expenses	(9,112)	(43,477)	(32,447)	(67,561)	(10,286)
Profit/(loss) from operations	3,199	(43,175)	(34,249)	(61,717)	(8,602)
Finance costs	(13)	(1,298)	(536)	(1,318)	(5,055)
Profit/(loss) before tax	3,186	(44,473)	(34,785)	(63,035)	(13,657)
Income tax expense	(2,272)	–	(2,319)	–	–
Profit/(loss) from continuing operations	914	(44,473)	(37,104)	(63,035)	(13,657)
Discontinued operation					
(Loss)/profit from discontinued operation	(716)	9,223	(12,852)	7,939	1,788
Profit/(loss) for the year/period	198	35,250	(49,956)	(55,096)	(11,869)
Attributable to:					
Equity holders of the Company	978	35,250	(46,936)	(55,096)	(11,869)
Minority interests	(780)	–	(3,020)	–	–
	198	35,250	(49,956)	(55,096)	(11,869)
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Loss per share					
From continuing and discontinued operations					
– basic	0.09	(7.56)	(4.31)	(7.66)	(40)
– diluted	N/A	N/A	N/A	N/A	N/A
From continuing operations					
– basic	0.16	(9.54)	(3.13)	(8.76)	(48)
– diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	As at 31 December	As at 30 June		
	2008	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	23,516	1,556	14,190	222
Investment property	70,097	–	73,345	–
Goodwill	28,169	5,245	22,923	–
Deposit paid for purchase of investment property	–	–	–	13,371
	121,782	6,801	110,458	13,593
Current assets				
Properties held for sale	–	–	5,278	9,586
Trade and other receivables	53,512	99,909	27,914	3,032
Bank and cash balances	3,912	4,547	7,087	4,195
	57,424	104,456	40,279	16,813
Current liabilities				
Trade and other payables	53,521	32,037	41,926	4,563
Borrowings	3,123	4,413	1,523	17,057
Current tax liabilities	3,965	2,273	1,314	–
	60,609	38,723	44,763	21,620
Net current assets/(liabilities)	(3,185)	65,733	(4,484)	(4,807)
Total assets less current liabilities	118,597	72,534	105,974	8,786
Non-current liabilities				
Borrowings	1,907	9,000	–	13,371
Deferred tax liabilities	1,131	–	1,822	–
	3,038	9,000	1,822	13,371
NET ASSETS/(LIABILITIES)	115,559	63,534	104,152	(4,585)
Capital and reserves				
Share capital	10,993	10,993	10,493	573,500
Reserves	105,345	55,560	93,659	(578,085)
Equity attributable to equity holders of the Company	116,338	66,553	104,152	(4,585)
Minority interests	(779)	(3,019)	–	–
TOTAL EQUITY	115,559	63,534	104,152	(4,585)

None of the audited financial statements of the Group for the three years ended 30 June 2009 was qualified by the auditors.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP

The following is the audited financial statements of the Group together with accompanying notes as extracted from the annual report of the Company for the year ended 30 June 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Note	**2009** *HK$'000*	**2008** *HK$'000* (Restated)
Continuing operations			
Turnover	*6*	38,344	5,694
Direct costs		(20,998)	(569)
Gross profit		17,346	5,125
Other income	*7*	3,775	719
Impairment of goodwill	*19*	(22,923)	–
Administrative and other operating expenses		(32,447)	(67,561)
Loss from operations		(34,249)	(61,717)
Finance costs	*9*	(536)	(1,318)
Loss before tax		(34,785)	(63,035)
Income tax expense	*10*	(2,319)	–
Loss for the year from continuing operations		(37,104)	(63,035)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	*11*	(12,852)	7,939
Loss for the year	*12*	(49,956)	(55,096)
Attributable to:			
Equity holders of the Company	*14*	(46,936)	(55,096)
Minority interests		(3,020)	–
		(49,956)	(55,096)
Loss per share			
From continuing and discontinued operations			
– basic	*16(a)*	HK(4.31) cents	HK(7.66) cents
– diluted	*16*	N/A	N/A
From continuing operations			
– basic	*16(b)*	HK(3.13) cents	HK(8.76) cents
– diluted	*16*	N/A	N/A

CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	1,556	14,190
Investment property	18	–	73,345
Goodwill	19	5,245	22,923
		6,801	110,458
Current assets			
Properties held for sale	21	–	5,278
Trade and other receivables	22	99,909	27,914
Bank and cash balances	23	4,547	7,087
		104,456	40,279
Current liabilities			
Trade and other payables	24	32,037	41,926
Borrowings	25	4,413	1,523
Current tax liabilities		2,273	1,314
		38,723	44,763
Net current assets/(liabilities)		65,733	(4,484)
Total assets less current liabilities		72,534	105,974
Non-current liabilities			
Borrowings	25	9,000	–
Deferred tax liabilities	26	–	1,822
		9,000	1,822
NET ASSETS		63,534	104,152
Capital and reserves			
Share capital	27	10,993	10,493
Reserves	29	55,560	93,659
Equity attributable to equity holders of the Company		66,553	104,152
Minority interests		(3,019)	–
TOTAL EQUITY		63,534	104,152

BALANCE SHEET
As at 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	16	16
Investments in subsidiaries	20	–	–
		16	16
Current assets			
Prepayments, deposits and other receivables	22	366	415
Due from subsidiaries	20	48,619	92,688
Bank and cash balances		214	3,051
		49,199	96,154
Current liabilities			
Other payables	24	5,922	3,076
Borrowings	25	1,523	1,523
		7,445	4,599
Net current assets		41,754	91,555
NET ASSETS		41,770	91,571
Capital and reserves			
Share capital	27	10,993	10,493
Reserves	29	30,777	81,078
EQUITY		41,770	91,571

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Warrants reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 July 2007	573,500	103,257	–	–	–	(681,342)	(4,585)	–	(4,585)
Translation difference	–	–	–	–	2,765	–	2,765	–	2,765
Share issue expenses	–	(320)	–	–	–	–	(320)	–	(320)
Net income recognised directly in equity	–	(320)	–	–	2,765	–	2,445	–	2,445
Loss for the year	–	–	–	–	–	(55,096)	(55,096)	–	(55,096)
Total recognised income and expense for the year	–	(320)	–	–	2,765	(55,096)	(52,651)	–	(52,651)
Share-based payments	–	–	21,386	–	–	–	21,386	–	21,386
Reduction of capital pursuant to a capital reorganisation	(573,213)	573,213	–	–	–	–	–	–	–
Shares issued pursuant to an open offer	8,602	87,574	–	–	–	–	96,176	–	96,176
Shares issued pursuant to an arranger agreement	440	4,479	–	–	–	–	4,919	–	4,919
Shares issued pursuant to a placing agreement	800	15,200	–	–	–	–	16,000	–	16,000
Shares issued for acquisition of a subsidiary	364	22,543	–	–	–	–	22,907	–	22,907
	(563,007)	703,009	21,386	–	–	–	161,388	–	161,388
At 30 June 2008 and 1 July 2008	10,493	805,946	21,386	–	2,765	(736,438)	104,152	–	104,152
Translation difference	–	–	–	–	(176)	–	(176)	–	(176)
Net expense recognised directly in equity	–	–	–	–	(176)	–	(176)	–	(176)
Loss for the year	–	–	–	–	–	(46,936)	(46,936)	(3,020)	(49,956)
Total recognised income and expense for the year	–	–	–	–	(176)	(46,936)	(47,112)	(3,020)	(50,132)
Shares issued for acquisition of subsidiaries *(note 30(a))*	500	11,100	–	–	–	–	11,600	–	11,600
Issue of warrants	–	–	–	525	–	–	525	–	525
Disposal of subsidiaries *(note 30(b))*	–	–	–	–	(2,612)	–	(2,612)	–	(2,612)
Formation of non-wholly owned subsidiaries	–	–	–	–	–	–	–	1	1
	500	11,100	–	525	(2,612)	–	9,513	1	9,514
At 30 June 2009	10,993	817,046	21,386	525	(23)	(783,374)	66,553	(3,019)	63,534

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax (excluding loss on disposal of discontinued operation)		(48,645)	(49,651)
Adjustments for:			
Finance costs		539	1,691
Accruals written back		(951)	(63)
Depreciation		399	181
Loss/(gain) on disposal of property, plant and equipment		1	(54)
Fair value loss/(gain) on investment property		18,169	(7,289)
Equity-settled share-based payments		–	21,386
Impairment of goodwill		22,923	–
Operating loss before working capital changes		(7,565)	(33,799)
Decrease in properties held for sale		5,278	4,308
Increase in trade and other receivables		(13,437)	(24,882)
Increase in trade and other payables		7,109	15,098
Cash used in operations		(8,615)	(39,275)
Income taxes paid		(925)	(2,309)
Finance costs paid		(539)	(1,691)
Net cash used in operating activities		(10,079)	(43,275)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	*30(a)*	1,356	1
Disposal of subsidiaries	*30(b)*	2,627	–
Purchase of investment property		–	(28,939)
Purchases of property, plant and equipment		(9,975)	(14,270)
Proceeds from disposal of property, plant and equipment		1	175
Net cash used in investing activities		(5,991)	(43,033)

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of warrants		525	–
Proceeds from issue of shares		–	117,095
Share issue expenses paid		–	(320)
Borrowings raised		16,188	20,842
Repayment of borrowings		(3,172)	(51,182)
Net cash generated from financing activities		13,541	86,435
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,529)	127
Effect of foreign exchange rate changes		(11)	2,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,087	4,195
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,547	7,087
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		4,547	7,087

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong as a company with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Unit 2508, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 July 2008. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	9% – 20%
Furniture, fixtures and office equipment	9% – 20%
Leasehold improvements	20%
Motor vehicles	25%
Site equipment	30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(e) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are included in the income statement for the period in which they arise.

Property that is being constructed or developed for future use as investment property is classified as construction in progress in property, plant and equipment and stated at cost less impairment losses until construction or development is complete, at which time it is reclassified as an investment property at fair value. The difference between the fair value and the previous carrying amount is recognised in the income statement.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the income statement.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(g) Discontinued operation

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the balance sheet date less selling expenses, or by estimates based on prevailing market condition.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(n) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Outdoor media advertising and media related service income is recognised when the service is rendered.

Income from sales of properties is recognised when title has passed.

Rental income is recognised on straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(x) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment property and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2009 was approximately HK$5,245,000 (2008: HK$22,923,000). More details are given in note 19.

(c) Income taxes

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

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(e) Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Binominal option pricing model (the "Binominal Model") was used. The Binominal Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Binominal Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB") which are the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances, and trade and other receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 June 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**
	HK$'000	*HK$'000*
At 30 June 2009		
Trade and other payables	31,545	–
Borrowings	4,413	11,700
At 30 June 2008		
Trade and other payables	41,926	–
Borrowings	1,523	–

(d) Interest rate risk

The loan from a related company bears interest at fixed interest rate and therefore is subject to fair value interest rate risks.

The Group's exposure to interest rate risk arises from its other receivables and other borrowings. These other receivables and other borrowings bear interests at variable rates varied with the then prevailing market condition.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. TURNOVER

The Group's turnover which represents sales of properties, property rental income and revenue from provision of outdoor media advertising and media related services are as follows:

	2009	2008
	HK$'000	*HK$'000*
Sales of properties	6,993	5,582
Property rental income	2,191	4,535
Outdoor media advertising and media related service income	38,344	5,694
	47,528	15,811
Representing:		
Continuing operations	38,344	5,694
Discontinued operation *(note 11)*	9,184	10,117
	47,528	15,811

7. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Accruals written back	951	63
Bad debt recovered	2,000	–
Bank interest income	19	517
Forfeited rental payments	–	1,039
Gain on disposal of property, plant and equipment	–	54
Guaranteed income related to investment property	2,271	4,249
Other interest income	439	293
Referral income	500	–
Sundry income	33	1
	6,213	6,216
Representing:		
Continuing operations	3,775	719
Discontinued operation *(note 11)*	2,438	5,497
	6,213	6,216

8. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group is organised into two main business segments: (i) property investment; and (ii) outdoor media advertising and media related services.

There are no sales or other transactions among the business segments.

	Continuing operations	Discontinued operation	
	Outdoor media advertising and media related services	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 30 June 2009			
Revenue	38,344	9,184	47,528
Segment results	4,252	4,865	9,117
Unallocated corporate income			3,935
Unallocated corporate expenses			(63,138)
Finance costs			(539)
Loss before tax			(50,625)
Income tax credit			669
Loss for the year			(49,956)
At 30 June 2009			
Segment assets	72,316	–	72,316
Unallocated corporate assets			38,941
Total assets			111,257
Segment liabilities	27,179	–	27,179
Unallocated corporate liabilities			20,544
Total liabilities			47,723
Other segment information:			
Capital expenditure	6,673	8,502	15,175
Unallocated amounts			45
			15,220
Depreciation	237	9	246
Unallocated amounts			153
			399
Impairment of goodwill recognised in income statement	22,923	–	22,923
Bad debts written off	5,125	–	5,125

	Continuing operations	Discontinued operation	
	Outdoor media advertising and media related services	**Property investment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 30 June 2008			
Revenue	5,694	10,117	15,811
Segment results	5,120	6,344	11,464
Unallocated corporate income			8,213
Unallocated corporate expenses			(67,637)
Finance costs			(1,691)
Loss before tax			(49,651)
Income tax expense			(5,445)
Loss for the year			(55,096)
At 30 June 2008			
Segment assets	28,049	93,834	121,883
Unallocated corporate assets			28,854
Total assets			150,737
Segment liabilities	22	41,025	41,047
Unallocated corporate liabilities			5,538
Total liabilities			46,585
Other segment information:			
Capital expenditure	22,923	65,008	87,931
Unallocated amounts			512
			88,443
Depreciation	–	7	7
Unallocated amounts			174
			181

(b) Secondary reporting format – geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). The property investment is located in the PRC and the provision of outdoor media advertising and media related services are carried out in both territories. The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services.

	Revenue		Total assets		Capital expenditure	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	512	–	43,183	28,185	1,456	512
The PRC, other than Hong Kong	47,016	15,811	68,074	122,552	13,764	87,931
	47,528	15,811	111,257	150,737	15,220	88,443

9. FINANCE COSTS

	2009	**2008**
	HK$'000	*HK$'000*
Interest on other loans and advances	520	1,672
Interest and charges on bank loans and advances	19	19
	539	1,691
Representing:		
Continuing operations	536	1,318
Discontinued operation *(note 11)*	3	373
	539	1,691

10. INCOME TAX (CREDIT)/EXPENSE

	2009	**2008**
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	–	28
Underprovision in prior years	–	1,997
	–	2,025
Current tax – PRC enterprise income tax and land appreciation tax		
Provision for the year	3,873	1,598
Deferred tax *(note 26)*	(4,542)	1,822
Income tax (credit)/expense	(669)	5,445
Representing:		
Continuing operations	2,319	–
Discontinued operation *(note 11)*	(2,988)	5,445
	(669)	5,445

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 30 June 2008 was calculated at 16.5% based on the assessable profit for that year.

PRC enterprise income tax is calculated at a statutory rate of 25% of the taxable income from operations of the Company's subsidiaries carried on in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC during the year.

PRC land appreciation tax is levied, in accordance with the land appreciation tax law of the PRC, on the properties held by the Group for sale in the PRC and is charged at progressive rates ranging from 30% to 60% on the appreciated amount.

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
(Loss)/profit before tax		
Continuing operations	(34,785)	(63,035)
Discontinued operation *(note 11)*	(13,860)	13,384
	(48,645)	(49,651)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	(8,026)	(8,192)
Tax effect of income that is not taxable	(1,513)	(1,006)
Tax effect of expenses that are not deductible	6,386	11,702
Tax effect of temporary differences not recognised	(122)	(21)
Tax effect of loss not allowable	–	(364)
Tax effect of utilisation of tax losses not previously recognised	(81)	–
Tax effect of tax losses not recognised	3,403	2
Underprovision in prior years	–	1,997
Effect of different tax rates of subsidiaries	(716)	1,327
Income tax (credit)/expense	(669)	5,445

11. DISCONTINUED OPERATION

Pursuant to an agreement dated 26 November 2008 entered into between Welchem Development Limited ("Welchem"), a subsidiary of the Company, and an independent third party, Welchem disposed of 100% interest in a wholly-owned subsidiary, First Union Limited ("First Union").

First Union held 100% interest in a sino-foreign equity joint venture, 北京光訊投資管理顧問有限公司 (Beijing eCyberChina Investment Management Consultancy Limited#) ("Beijing eCyberChina"), established in the PRC. Beijing eCyberChina as engaged in the property investment during the year. The disposal was completed on 3 April 2009 and the Group discontinued its property investment business.

For identification purpose only

The (loss)/profit for the year from the discontinued operation is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit of discontinued operation	(10,872)	7,939
Loss on disposal of discontinued operation *(note 30(b))*	(1,980)	–
	(12,852)	7,939

The results of the discontinued operation for the period from 1 July 2008 to 3 April 2009, which have been included in the consolidated income statement, are as follows:

		Period from 1 July 2008 to 3 April 2009	Year ended 30 June 2008
	Note	*HK$'000*	*HK$'000*
Turnover	*6*	9,184	10,117
Direct costs		(5,612)	(6,910)
Gross profit		3,572	3,207
Other income	*7*	2,438	5,497
Fair value (loss)/gain on investment property	*18*	(18,169)	7,289
Administrative and other operating expenses		(1,698)	(2,236)
(Loss)/profit from operations		(13,857)	13,757
Finance costs	*9*	(3)	(373)
(Loss)/profit before tax		(13,860)	13,384
Income tax credit/(expense)	*10*	2,988	(5,445)
(Loss)/profit for the period/year	*12*	(10,872)	7,939

During the year, the disposed subsidiaries paid approximately HK$2,694,000 (2008: HK$2,563,000) in respect of operating activities, paid approximately HK$899,000 (2008: HK$33,928,000) in respect of investing activities and received approximately HK$2,726,000 (2008: HK$Nil) in respect of financing activities.

No tax charge or credit arose on loss on disposal of the discontinued operation.

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation	390	174	9	7	399	181
Staff costs including directors' emoluments:						
Salaries, bonus and allowances	7,372	5,043	351	–	7,723	5,043
Equity-settled share-based payments	–	5,067	–	–	–	5,067
Retirement benefit scheme contributions	217	66	–	–	217	66
	7,589	10,176	351	–	7,940	10,176
Auditor's remuneration	370	310	10	20	380	330
Cost of properties sold	–	–	5,278	4,308	5,278	4,308
Fair value loss/(gain) on investment property	–	–	18,169	(7,289)	18,169	(7,289)
Operating lease charges in respect of land and buildings	2,599	1,154	127	151	2,726	1,305
Loss on disposal of property, plant and equipment	1	–	–	–	1	–
Bad debts written off	5,125	–	–	–	5,125	–

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees		Salaries and allowances		Equity-settled share-based payments		Retirement benefit scheme contributions		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors										
Mr. Lau Chi Yuen, Joseph	540	1,277	–	–	–	–	3	7	543	1,284
Mr. Chan Sing Fai	270	311	–	–	–	721	11	10	281	1,042
Mr. Lu Liang	–	–	360	780	–	1,048	–	–	360	1,828
Mr. Ng Yan	24	26	–	–	–	–	–	–	24	26
Mr. Ho Chi Wing *(note (a))*	–	–	–	550	–	–	–	7	–	557
	834	1,614	360	1,330	–	1,769	14	24	1,208	4,737
Independent Non-executive Directors										
Mr. Cheng Kwong Choi, Alexander	36	36	–	–	–	–	–	–	36	36
Mr. Cheng Sheung Hing	36	18	–	–	–	–	–	–	36	18
Mr. Law Tai Yan	36	36	–	–	–	–	–	–	36	36
	108	90	–	–	–	–	–	–	108	90
	942	1,704	360	1,330	–	1,769	14	24	1,316	4,827

Note:

(a) resigned on 15 December 2007

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included 1 (2008: 3) director(s) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2008: 2) individuals are set out below:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries and allowances	2,250	849
Employee share option benefits	–	1,483
Retirement benefit scheme contributions	48	18
	2,298	2,350

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	4	1
HK$1,000,000 to HK$1,500,000	–	1
	4	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company included a loss of approximately HK$61,926,000 (2008: HK$118,149,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 30 June 2009 (2008: HK$Nil).

16. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$46,936,000 (2008: HK$55,096,000) and the weighted average number of ordinary shares of 1,087,504,000 (2008: 719,241,000) in issue during the year.

(b) From continuing operations

Basic loss per share

The calculation of basic loss per share from continuing operations attributable to equity holders of the Company is based on the loss for the year from continuing operations attributable to equity holders of the Company of approximately HK$34,084,000 (2008: HK$63,035,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

(c) (Loss)/earnings per share from discontinued operation

Basic loss per share from the discontinued operation for the year ended 30 June 2009 is HK1.18 cents (2008: earnings per share of HK1.10 cents), based on the loss for the year from discontinued operation attributable to the equity holders of the Company of approximately HK$12,852,000 (2008: profit of HK$7,939,000) and the denominator used is the same as that detailed above for basic loss per share from continuing and discontinued operations.

There were no potential ordinary shares in issue during the years ended 30 June 2008 and 2009. No diluted (loss)/earnings per share were disclosed.

17. PROPERTY, PLANT AND EQUIPMENT

	Group						
	Construction in progress	Furniture, fixtures and office equipment	Leasehold improvements	Motor vehicles	Computer equipment	Site equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At July 2007	–	153	–	290	43	–	486
Additions	13,680	80	–	475	35	–	14,270
Disposals	–	–	–	(290)	–	–	(290)
At 30 June 2008 and 1 July 2008	13,680	233	–	475	78	–	14,466
Acquisition of subsidiaries *(note 30 (a))*	–	36	–	–	–	–	36
Disposal of subsidiaries *(note 30 (b))*	–	(78)	–	–	–	–	(78)
Additions	8,502	214	156	–	191	912	9,975
Disposals	–	–	–	–	(2)	–	(2)
Transfer to investment property	(22,144)	–	–	–	–	–	(22,144)
Exchange differences	(38)	–	–	–	–	–	(38)
At 30 June 2009	–	405	156	475	267	912	2,215
Accumulated depreciation and impairment							
At 1 July 2007	–	103	–	145	16	–	264
Charge for the year	–	23	–	143	15	–	181
Disposals	–	–	–	(169)	–	–	(169)
At 30 June 2008 and 1 July 2008	–	126	–	119	31	–	276
Disposal of subsidiaries *(note 30 (b))*	–	(16)	–	–	–	–	(16)
Charge for the year	–	65	26	119	41	148	399
At 30 June 2009	–	175	26	238	72	148	659
Carrying amount							
At 30 June 2009	–	230	130	237	195	764	1,556
At 30 June 2008	13,680	107	–	356	47	–	14,190

	Company Computer equipment *HK$'000*
Cost	
At 1 July 2007	28
Additions	–
At 30 June 2008 and 1 July 2008	28
Additions	6
At 30 June 2009	34
Accumulated depreciation	
At 1 July 2007	7
Charge for the year	5
At 30 June 2008 and 1 July 2008	12
Charge for the year	6
At 30 June 2009	18
Carrying amount	
At 30 June 2009	16
At 30 June 2008	16

18. INVESTMENT PROPERTY

	Group	
	2009 *HK$'000*	**2008** *HK$'000*
At beginning of year	73,345	–
Additions	–	64,621
Transfer from property, plant and equipment	22,144	–
Fair value (loss)/gain	(18,169)	7,289
Disposal of subsidiaries *(note 30(b))*	(77,114)	–
Exchange differences	(206)	1,435
At end of year	–	73,345

The Group's investment property comprised medium-term leasehold land and buildings in the PRC.

Investment property was revalued at 30 June 2008 and 3 April 2009 on the open market value basis by reference to market evidence of recent transactions for similar properties by RHL Appraisal Limited, an independent firm of chartered surveyors.

19. GOODWILL

	Group
	HK$'000
Cost	
At 1 July 2007	–
Acquisition of a subsidiary	22,923
At 30 June 2008 and 1 July 2008	22,923
Acquisition of subsidiaries *(note 30 (a))*	5,245
At 30 June 2009	28,168
Accumulated impairment loss	
Impairment loss recognised in the current year and balance at 30 June 2009	22,923
Carrying amount	
At 30 June 2009	5,245
At 30 June 2008	22,923

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment loss, the carrying amount of goodwill had been allocated as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Outdoor media advertising:		
L&L Partners' Limited ("L&L Partners'") *(note (a))*	5,245	–
Media related services:		
Fadara Limited ("Fadara") *(note (b))*	22,923	22,923
	28,168	22,923

Notes:

(a) The recoverable amount of the outdoor media advertising CGU is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rate, growth rate and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the outdoor media advertising CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of the outdoor media advertising services CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 7.5%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from the Group's outdoor media advertising activities is 20.01%.

(b) During the year, the Group has revised its cash flow forecasts of the media related services CGU. No cash flow is expected to be derived from the CGU. Due to changes in condition, full impairment of approximately HK$22,923,000 has been made in the financial statements for the year ended 30 June 2009.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted investments, at cost	1	1
Less: impairment losses	(1)	(1)
	–	–
Due from subsidiaries	223,193	256,690
Accumulated impairment losses		
At beginning of year	164,002	130,920
Provision for the year	33,954	61,866
Write-back for the year	(23,382)	–
Write-off upon waiver of debts	–	(28,784)
At end of year	174,574	164,002
Net carrying amount	48,619	92,688

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 30 June 2009 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing Direct	Indirect	Principal activities
Konmate Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Investment holding
Konwide Development Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Inactive
Noble City (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	–	Investment holding and provision of management services
Welchem	Hong Kong/ The PRC	2 ordinary shares of HK$1 each	–	100%	Property investment
China New Media Company Limited (formerly known as Ultra Union Limited)	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
China New Media (HK) Company Limited	Hong Kong	100 ordinary shares of HK$1 each	–	51%	Inactive
HD Production Limited	Hong Kong	100 ordinary shares of HK$1 each	–	26%	Production of advertising video films
Fadara	The British Virgin Islands (The "BVI")	100 ordinary shares of US$1 each	–	100%	Provision of media management and consultancy services
L&L Partners'	The BVI	29,868 ordinary shares of US$1 each	–	100%	Investment holding
iKanTV Limited ("iKanTV")	The BVI	100 ordinary shares of US$1 each	–	51%	Investment holding and provision of media advertising and media related services

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing Direct	Indirect	Principal activities
iMediagate Limited	The BVI	100 ordinary shares of US$1 each	–	51%	Inactive
Shanghai Win Advertising & Media Co., Ltd. ("Shanghai Win Media")	The PRC	Registered capital of RMB5,000,000	–	100%	Provision of outdoor media advertising services

21. PROPERTIES HELD FOR SALE

	2009	2008
	HK$'000	*HK$'000*
Properties in the PRC held for sale	–	5,278

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	8,037	5,125	–	–
Prepayments, deposits and other receivables *(note (a)&(b))*	91,872	22,789	366	415
	99,909	27,914	366	415

The Group's trading terms with customers are mainly on credit. The credit terms generally are 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	7,890	5,125
31 – 60 days	–	–
61 – 90 days	113	–
Over 90 days	34	–
	8,037	5,125

As of 30 June 2009, trade receivables of approximately HK$147,000 (2008: HK$Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
61 – 90 days	113	–
Over 90 days	34	–
	147	–

Notes:

(a) Included in other receivables, there was a referral income receivable from a related company of HK$500,000 (2008: HK$Nil) which is unsecured, interest-free and has no fixed terms of repayment.

(b) Included in other receivables, there were loans to unrelated third parties of approximately HK$4,700,000 (2008: HK$5,397,000) which are unsecured, bear interest at the prevailing Hong Kong dollar prime rate plus 2% p.a. and are repayable within 12 months.

23. BANK AND CASH BALANCES

As at 30 June 2009, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,490,000 (2008: HK$54,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	16,330	–	–	–
Other payables	15,707	41,926	5,922	3,076
	32,037	41,926	5,922	3,076

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Current to 30 days	3,787	–
31 – 60 days	12,543	–
	16,330	–

25. BORROWINGS

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan from a related company	9,000	–	–	–
Other loans	4,413	1,523	1,523	1,523
	13,413	1,523	1,523	1,523

The borrowings are repayable as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	4,413	1,523	1,523	1,523
In the second year	9,000	–	–	–
	13,413	1,523	1,523	1,523
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,413)	(1,523)	(1,523)	(1,523)
Amount due for settlement after 12 months	9,000	–	–	–

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Hong Kong dollars	RMB	Total
	HK$'000	*HK$'000*	*HK$'000*
2009			
Loan from a related company	9,000	–	9,000
Other loans	4,005	408	4,413
	13,005	408	13,413
2008			
Other loans	1,523	–	1,523

The Company's borrowings are denominated in Hong Kong dollars as at 30 June 2008 and 2009.

The average interest rates at 30 June were as follows:

	2009	2008
Loan from a related company	15.0%	N/A
Other loans	1.4%	N/A

Loan from a related company of approximately HK$9,000,000 is arranged at fixed interest rate and exposes the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

26. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group:

	Change in fair value of investment property *HK$'000*
At 1 July 2007	–
Charge to income statement for the year *(note 10)*	1,822
At 30 June 2008 and 1 July 2008	1,822
Credit to income statement for the year *(note 10)*	(4,542)
Disposal of subsidiaries *(note 30(b))*	2,725
Exchange differences	(5)
At 30 June 2009	–

At the balance sheet date, the Group has unused tax losses of approximately HK$123,865,000 (2008: HK$103,731,000) available for offset against future profits of which an aggregate amount of approximately HK$72,015,000 (2008: HK$82,214,000) is subject to the approval of the respective tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

27. SHARE CAPITAL

Ordinary shares

	2009 *HK$'000*	2008 *HK$'000*
Authorised:		
20,000,000,000 (2008: 20,000,000,000) shares of HK$0.01 each	200,000	200,000
Issued and fully paid:		
1,099,285,000 (2008: 1,049,285,000) shares of HK$0.01 each	10,993	10,493

A summary of the movements in the issued share capital of the Company during the year is as follows:

	Number of shares	Par value
	'000	*HK$'000*
At 1 July 2007 – Shares of HK$0.2 each	2,867,500	573,500
Consolidation of shares pursuant to a capital reorganisation *(note (a))*	(2,838,825)	–
Shares of HK$20 each	28,675	573,500
Reduction of capital pursuant to a capital reorganisation *(note (a))*	–	(573,213)
Shares of HK$0.01 each	28,675	287
Share issued pursuant to an open offer *(note (b))*	860,250	8,602
Share issued pursuant to an arranger agreement *(note (b))*	44,000	440
Shares issued for acquisition of a subsidiary *(note (c))*	36,360	364
Shares issued pursuant to a placing agreement *(note (d))*	80,000	800
At 30 June 2008 and 1 July 2008	1,049,285	10,493
Shares issued for acquisition of subsidiaries *(note (e))*	50,000	500
At 30 June 2009	1,099,285	10,993

Notes:

(a) On 31 July 2007, the Company executed a capital reorganisation to (i) consolidate every 100 issued and unissued shares of HK$0.2 each into one consolidated share of HK$20 each in the capital of the Company; (ii) cancel capital paid up to the extent of HK$19.99 per consolidated share in issue and to reduce the nominal value of all consolidated shares to HK$0.01 per share; and (iii) increase the authorised share capital, after reduction, from HK$400,000 to HK$200,000,000 by the creation of 19,960,000,000 new shares of HK$0.01 each.

(b) On 5 October 2007 and 23 November 2007, 860,250,000 and 44,000,000 new shares of HK$0.01 each were issued at HK$0.12 per share pursuant to an open offer and an arranger agreement respectively.

(c) On 28 January 2008, 36,360,000 new shares of HK$0.01 each were issued as part of the consideration for the acquisition of a subsidiary, Fadara. The value of those 36,360,000 shares issued was determined by reference to the published price of each share of HK$0.63 at the date of issue.

(d) On 28 April 2008, 80,000,000 new shares of HK$0.01 each were issued at the placing price of HK$0.20 per placing share pursuant to a placing agreement entered into by the Company with a placing agent for the purpose of obtaining general working capital for the Group.

(e) On 25 September 2008, 50,000,000 new shares of HK$0.01 each were issued as part of the consideration for the acquisition of subsidiaries, L&L Partners' and Shanghai Win Media, as mentioned in note 30(a). The value of those 50,000,000 shares issued was determined by reference to the published price of each share of HK$0.232 at the date of issue.

Warrants

On 6 May 2009, the Company announced the issuance of 210,000,000 warrants at an issue price of HK$0.0025 per warrant which entitle the holders to subscribe for up to 210,000,000 ordinary shares of the Company at an exercise price of HK$0.20 per share for a period of two years commencing from the date of issue of the warrants. None of the warrants were exercised during the year ended 30 June 2009.

The Group's objectives when managing capital are:

(i) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

(ii) to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the years ended 30 June 2008 and 2009.

The Group monitors capital on the basis of gearing ratio, which is calculated as total borrowings over total assets. The Group's strategy is to maintain the gearing ratio at an appropriate level. The gearing ratio as at 30 June 2009 was 12% (2008: 1%).

28. SHARE OPTIONS

Share option scheme adopted in 2002

On 25 July 2002, a share option scheme was adopted by the Company (the "2002 Share Option Scheme") pursuant to which the board of directors of the Company may grant options to any employees, directors, shareholders, suppliers, customers of the Group and any other person or company who has contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company at any price which is at least the highest of (i) the closing price of the shares of the Company on the date of the grant of the options; (ii) the average closing price of the shares of the Company on the Stock Exchange for the 5 trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not exceed 10% of the shares in issue as at the adoption date of the 2002 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Share Option Scheme in any twelve months period must not exceed 1% of the shares in issue at the date of such grant unless approved by the shareholders in general meeting.

Details of the share options outstanding during the current year are as follows:

Name or category of grantees	Date of grant	Number of share options outstanding as at 1 July 2008 and 30 June 2009	Exercise price	Exercise period
Directors				
Mr. Lu Liang	29 November 2007	3,200,000	0.64	29 November 2007 – 28 November 2017
Mr. Chan Sing Fai	29 November 2007	2,200,000	0.64	29 November 2007 – 28 November 2017
Employees	29 November 2007	8,850,000	0.64	29 November 2007 – 28 November 2017
	27 June 2008	4,530,000	0.64	27 June 2008 – 26 June 2018
Consultants	29 November 2007	39,062,700	0.64	29 November 2007 – 28 November 2017
	27 June 2008	30,970,000	0.64	27 June 2008 – 26 June 2018
		88,812,700		

	2009		2008	
	Number of share options	Weighted average exercise price *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding at beginning of year	88,812,700	0.64	–	–
Granted during the year	–	–	88,812,700	0.64
Outstanding at end of year	88,812,700	0.64	88,812,700	0.64
Exercisable at end of year	88,812,700	0.64	88,812,700	0.64

The options outstanding at the end of the year have a weighted remaining contractual life of 8.6 years (2008: 9.6 years) and the exercise price is HK$0.64 (2008: HK$0.64). During the year ended 30 June 2008, 53,312,700 share options were granted on 29 November 2007 and 35,500,000 share options were granted on 27 June 2008. The estimated fair values of the options granted on those dates are HK$15,688,219 and HK$5,697,750 respectively.

No share options were granted, exercised, cancelled, or lapsed under the 2002 Share Option Scheme during the year.

The fair values of the share options which are estimated as at the respective dates of grant using the Binominal option pricing model and the assumptions used in the model are as follows:

	Share options granted on 29 November 2007	**Share options granted on 27 June 2008**
Closing price on the date of grant	HK$0.64	HK$0.44
Expected volatility	131.31%	163.95%
Risk free rate	3.28%	3.56%
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 260 trading days.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium *HK$'000*	**Share-based payment reserve** *HK$'000*	**Warrants reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 July 2007	103,257	–	–	(628,105)	(524,848)
Share issue expenses	(320)	–	–	–	(320)
Loss for the year	–	–	–	(118,149)	(118,149)
Share-based payments	–	21,386	–	–	21,386
Reduction of capital pursuant to a capital reorganisation	573,213	–	–	–	573,213
Shares issued pursuant to an open offer	87,574	–	–	–	87,574
Shares issued pursuant to an arranger agreement	4,479	–	–	–	4,479
Shares issued pursuant to a placing agreement	15,200	–	–	–	15,200
Shares issued for acquisition of a subsidiary	22,543	–	–	–	22,543
At 30 June 2008 and 1 July 2008	805,946	21,386	–	(746,254)	81,078
Loss for the year	–	–	–	(61,926)	(61,926)
Shares issued for acquisition of subsidiaries *(note 30 (a))*	11,100	–	–	–	11,100
Issue of warrants	–	–	525	–	525
At 30 June 2009	817,046	21,386	525	(808,180)	30,777

(c) Nature and purpose of reserves

(i) Share premium account

Under section 48B of the Hong Kong Companies Ordinance, the funds in the share premium account of the Company can be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Share-based payment reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to the eligible participants recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(s) to the financial statements.

(iii) Warrants reserve

The warrants reserve represents the value of the unexercised warrants issued by the Company recognised in accordance with the accounting policy adopted for equity instrument in note 3(p) to the financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the financial statements.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of subsidiaries

On 25 September 2008, the Group acquired the entire issued share capital of L&L Partners', a company incorporated in the BVI, which holds the entire registered capital of Shanghai Win Media, an enterprise established in the PRC. L&L Partners' and Shanghai Win Media are engaged in the provision of outdoor media advertising services.

The consideration for the acquisition of HK$240,000,000 was/will be satisfied by (i) the allotment and issuance of 250,000,000 new shares of the Company, credited as fully paid, in the sum of HK$200,000,000; and (ii) the issuance of convertible bonds, carrying no interest for a term of 5 years at a conversion price of HK$0.8 for each new share of the Company, in the principal amount of HK$40,000,000. Details of the acquisition are set out in a circular issued by the Company on 23 May 2008.

The first instalment of the consideration was satisfied by the Company through the allotment and issuance of 50,000,000 new shares of the Company at an issue price of HK$0.8 per share on 25 September 2008. HKFRS 3 requires that the cost of a business combination to be measured at the fair value of the equity instruments issued by the acquirer in exchange for control of the acquiree at the date of exchange. The published price of the Company's shares at the date of exchange is HK$0.232.

The balance of the consideration will be payable subject to certain conditions stipulated in the agreement. Since the adjustment to the cost of the business combination is contingent on future events where the directors are unable to determine whether it is probable and the adjustment cannot be reliably measured, the possible adjustment to the cost of business combination has not been provided for.

The fair value of the identifiable assets and liabilities of L&L Partners' acquired as at the date of acquisition, which has no significant difference from the carrying amount, is as follows:

	HK$'000
Property, plant and equipment	36
Trade and other receivables	33,390
Bank and cash balances	1,356
Trade and other payables	(26,827)
Borrowings	(1,600)
	6,355
Goodwill *(note 19)*	5,245
Satisfied by:	
Fair value of shares issued	11,600
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	1,356

The goodwill arising on the acquisition of L&L Partners' is attributable to the anticipated profitability of the operations of L&L Partners' and the anticipated future operating synergies from the business combination.

L&L Partners' contributed turnover of approximately HK$37,681,000 and profit after tax of approximately HK$12,535,000 to the Group from the date of acquisition to the balance sheet date.

If the acquisition had been completed on 1 July 2008, the Group's turnover from continuing operations would have been approximately HK$42,970,000 and loss for the year from continuing operations would have been approximately HK$41,896,000.

(b) Disposal of subsidiaries

As referred to in note 11 to the financial statements, on 3 April 2009 the Group disposed its entire equity interests in First Union.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	62
Investment property	77,114
Deferred tax assets	2,725
Trade and other receivables	4,775
Current tax assets	103
Bank and cash balances	2,373
Trade and other payables	(42,745)
Borrowings	(2,726)
Current tax liabilities	(2,089)
Net assets disposed of	39,592
Release of exchange reserve	(2,612)
Loss on disposal of subsidiaries *(note 11)*	(1,980)
Total consideration	35,000
Cash received at the balance sheet date	(5,000)
Consideration receivable at the balance sheet date*	30,000
Net cash inflow arising on disposal:	
Cash consideration received	5,000
Cash and cash equivalents disposed of	(2,373)
	2,627

* *The consideration receivable was outstanding and included in other receivables.*

31. CONTINGENT LIABILITIES

Financial guarantees issued

At the balance sheet date, the Group had contingent liabilities as follows:

	2009 HK$'000	**2008** HK$'000
Possible claims arising from:		
Guarantee related to a former related company *(note (a))*	5,000	5,000
Indemnity related to a former subsidiary *(note 32(b))*	6,906	7,000
	11,906	12,000

Note:

(a) The Company issued a corporate guarantee to secure a leasing facility granted by a leasing company to a former related company.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Group or the Company under any of the above possible claims.

32. PENDING LITIGATIONS

At the balance sheet date, the Group had the following pending litigations:

(a) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings of approximately HK$1.6 million together with the interest thereon. As the Company had never borrowed money from that individual third party, the directors were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group to clarify that the individual third party acted as an agent of the lender. The directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the lender together with interest and penalty totalling approximately HK$2,672,000 has been accrued in the financial statements and has not yet been settled as at 30 June 2009.

The Court has granted an order to adjourn sine die the plaintiffs' application to set down this case on 15 March 2006. That is to say, the lender and its agent have temporarily withheld the proceedings against the Company. This claim has not been settled up to the date of approval of these financial statements.

(b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately an amount of RMB6.1 million related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts were covered by the amount accrued in the financial statements of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK$6.9 million (2008: HK$7.0 million), has been shown as contingent liabilities in note 31.

The Writ of Summons was served on the Company in February 2005. The Company has not received further claims from the plaintiff up to the date of approval of these financial statements.

(c) A Notice of Intention to Proceed after a Year's Delay dated 22 October 2007 was received by the Company in respect of a Writ of Summons previously served on the Company in August 2004 by an independent consultancy company for repayment of outstanding consultancy fees in the amount of approximately HK$2.2 million together with interest thereon. As that consultancy company had never been formally appointed as a consultant of the Company, the directors are of the opinion that the Company has no obligations to pay the aforesaid amount to that consultancy company. In fact, an independent third party controlling that consultancy company had provided certain consultancy services to the Company during the relevant period. The directors had negotiated with that independent third party who agreed to take up the responsibility of settlement of the aforesaid amount owing to that consultancy company and the related legal costs.

On 6 July 2009, the Company entered into a consent order with the independent consultancy company for the settlement of the outstanding consultancy fees in the amount of approximately HK$5,800,000. Accruals of approximately HK$3,600,000 has been made in the financial statements for the year ended 30 June 2009. The remaining balance of approximately HK$2,200,000 was indemnified by an independent third party.

33. OPERATING LEASE COMMITMENTS

At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	2,441	2,673
In the second to fifth years inclusive	190	1,017
	2,631	3,690

Operating lease payments represented rental payables by the Group for certain of its offices. Leases are negotiated for an average term of 1.5 years and rentals are fixed over the lease terms and do not include contingent rentals.

34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2009	2008
	HK$'000	*HK$'000*
Outdoor media advertising and media related service income received from a related company	21	–
Referral income received from a related company	500	–
Interest expense paid to a related company	492	–

A director, Mr. Lau Chi Yuen, Joseph, has significant influence over the related company and is a director of the related company.

35. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2009	2008
	HK$'000	*HK$'000*
Contingent consideration for the acquisition of L&L Partners'	200,000	–

36. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 10 August 2009, 21 August 2009 and 14 September 2009, a total of 40,000,000 warrants were exercised by the warrant holders for the issuance of 40,000,000 ordinary shares of the Company at HK$0.2 per share. All the subscribed ordinary shares were issued and fully paid.

(b) On 27 August 2009, the Group entered into an agreement with a wholly owned subsidiary of a related company to dispose of 4% equity interests of iKanTV, at a total consideration of HK$9,200,000, satisfied by setting off the outstanding loan due to the related company.

The disposal was approved by the board of directors on 27 August 2009 and completed on 30 September 2009.

37. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of HKFRS 5.

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 October 2009.

3. INDEBTEDNESS

Borrowings

As at the close of business on 28 February 2010, being the most recent practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group and the Enlarged Group were as follows:

	The Group	The Target	The PRC Company	The Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Unsecured loans				
– HK$ denominated	1,523	–	–	1,523
– RMB denominated	181	–	–	181
	1,704	–	–	1,704

The unsecured borrowing from an independent third party of approximately HK$1,523,000 bears interest at prevailing market rates. Advancement from an independent third party amounted to approximately HK$181,000 is non-interest bearing.

Contingent liabilities

Save as disclosed in the section headed "Litigation" in Appendix VI to this circular, the Group and Enlarged Group had the following material contingent liabilities as at the close of business on 28 February 2010.

- A leasing facility of approximately HK$5,000,000 granted by a leasing company to a former related company is secured by a corporate guarantee given by the Company.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 28 February 2010, the Enlarged Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or similar indebtedness, finance leases on hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseen circumstances and based on the internally generated funds, the expected cash flows and the presently available credit facilities, the Enlarged Group will have sufficient working capital for its present requirements and for at least the next twelve months from the date of this circular.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Martin C. K. Pong & Company, Certified Public Accountants, Hong Kong.

龐志鈞會計師行
Martin C.K. Pong &Company

Unit 1807, 18/F., Wing On House
71 Des Voeux Road Central
Central
Hong Kong

26 March 2010

The Board of Directors
China Outdoor Media Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of GMG Media Group Limited (the "Target") for the period from 10 August 2009 (date of incorporation) to 31 December 2009 (the "Relevant Period") for inclusion in the circular of China Outdoor Media Group Limited (the "Company") dated 26 March 2010 in connection with the very substantial acquisition of the 100% of the issued share capital of the Target (the "Circular").

The Target was incorporated on 10 August 2009 in the British Virgin Islands with limited liability. The Target entered into the Loan Agreement with the existing equity holders of 北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited) (the "PRC Company") on 9 October 2009 and entered with the PRC Company and the existing equity holders of the PRC Company into the Irrevocable Share Transfer Agreement and the Share Charge on the same day and the Management Agreement and the supplemental for the Share Charge on 18 December 2009 (collectively, the "Control Agreements"), pursuant to which the Target will wholly control the PRC Company so as to obtain benefits from its activities. The Target is principally engaged in investment holding.

No audited financial statements of the Target have been prepared since the date of incorporation as there is no statutory requirement for the Target to prepare audited financial statements.

We have carried out an independent audit on the unaudited management account of the Target for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared based on the unaudited management account of the Target. The directors of the Target are responsible for preparing the unaudited management account in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The directors of the Company and the Target are responsible for preparing the Financial Information. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target as at 31 December 2009 and of the results and cash flows of the Target for the Relevant Period.

I. FINANCIAL INFORMATION

Income Statement

	Notes	Period from 10 August 2009 (date of incorporation) to 31 December 2009 HK$'000
Revenue	7	–
Administrative expenses		(9)
Loss before tax	8	(9)
Income tax expense	10	–
Loss for the period		(9)

Statement of Comprehensive Income

	Period from 10 August 2009 (date of incorporation) to 31 December 2009 HK$'000
Loss for the period	(9)
Other comprehensive income for the period	–
Total comprehensive income for the period	(9)

Statement of Financial Position

	Notes	At 31 December 2009 HK$'000
Current Liability		
Amount due to a director	11	(9)
Net Liabilities		(9)
Capital and Reserves		
Share capital	12	–
Loss for the period		(9)
		(9)

Statement of Changes in Equity

	Notes	Issued share capital HK$'000	Loss for the period HK$'000	Total HK$'000
Issue of share	12	–	–	–
Total comprehensive income for the period		–	(9)	(9)
At 31 December 2009		–	(9)	(9)

Statement of Cash Flows

	Notes	Period from 10 August 2009 (date of incorporation) to 31 December 2009 HK$'000
Cash flows from operating activities		
Loss before tax		(9)
Increase in amount due to a director		9
Net cash from operating activities		–
Cash flows from financing activities		
Proceed from issue of share	*12*	–
Net cash from financing activities		–
Net change in cash and cash equivalents		–
Cash and cash equivalent, at the end of period		–

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target was incorporated in the British Virgin Islands ("BVI") with limited liability on 10 August 2009. The address of its registered office is 263 Main Street, P.O. Box 2196, Road Town, Tortola, BVI. The Target was inactive during the Relevant Period.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards (HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention and is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3. NET CURRENT LIABILITIES

As at 31 December 2009, the current liabilities of the Target exceeded its current assets by approximately HK$9,000. The Target finances its operations by obtaining funding from shareholders.

The directors of the Target are of the opinion that, taking into account the funding from the shareholders, the Target has sufficient working capital for its present requirements. Hence, the Financial Information has been prepared on a going concern basis.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*	1 July 2009
HKFRS 2 (Amendments)	*Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions*	1 January 2010
HKFRS 3 (Revised)	*Business Combinations*	1 July 2009
HKFRS 9	*Financial Instruments*	1 January 2013
HKAS 24 (Revised)	*Related Party Disclosures*	1 January 2011
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*	1 July 2009
HKAS 39 (Amendment)	*Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
HK(IFRIC)-Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*	1 January 2011
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*	1 July 2009
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
HKFRS (Amendments)	*Improvements to HKFRSs – amendments to HKFRS 5*	1 July 2009
	Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The Target is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Target anticipates that the adoptions of these new and revised HKFRSs are unlikely to have a significant impact on the results of operations and the financial position of the Target.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities at amortised cost

Financial liabilities including amount due to a director are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in other comprehensive income if it relates to items that are recognised in the same or a different period directly in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related parties

A party is considered to be related to the Target if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Target; (ii) has an interest in the Target that gives it significant influence over the Target; or (iii) has joint control over the Target;

(b) the party is a member of the key management personnel of the Target;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Target, or of any entity that is a related part of the Target.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Target's financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. In the opinion of the directors of the Target, there is no area involving critical judgments and area where assumptions and estimates are significant to the Financial Information.

7. REVENUE

The Target did not generate any revenue from its activity during the period.

8. LOSS BEFORE TAX

The Target's loss before tax is arrived at after charging the preliminary expenses written off of approximately HK$9,000.

9. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Target during the Relevant Period.

During the Relevant Period, no remuneration was paid by the Target to the directors as an inducement to join the Target or agreed to waive any remuneration during the Relevant Period.

10. INCOME TAX EXPENSE

The Target is incorporated in BVI and is not subject to income tax in BVI.

No provision for Hong Kong Profits Tax has been made as the Target did not generate any assessable profits during the Relevant Period.

11. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

12. SHARE CAPITAL

		At 31 December 2009
	US$	*HK$'000*
Authorised:		
50,000 ordinary shares of US$1 each	50,000	
Issued and fully paid:		
1 ordinary share of US$1 each	1	–

The Target was incorporated with an authorised capital of 50,000 ordinary shares of US$1 each. At the date of incorporation, 1 ordinary share of US$1 each was issued to the founder member for initial capital.

13. FINANCIAL RISK MANAGEMENT

The Target was inactive during the Relevant Period, therefore it did not expose to any significant financial risk.

14. PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2009, the directors consider the parent and ultimate holding company of the Target to be Fully Wealthy Inc., a company incorporated in BVI.

III. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 December 2009 up to the date of this report.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 December 2009.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Martin C. K. Pong & Company, Certified Public Accountants, Hong Kong.

龐志鈞會計師行
Martin C.K. Pong &Company

Unit 1807, 18/F., Wing On House
71 Des Voeux Road Central
Central
Hong Kong

26 March 2010

The Board of Directors
China Outdoor Media Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited) (the "PRC Company") for the period from 11 April 2008 (date of establishment) to 31 December 2008 and the year ended 31 December 2009 (the "Relevant Periods") for inclusion in the circular of China Outdoor Media Group Limited (the "Company") dated 26 March 2010 in connection with the very substantial acquisition of the 100% of the issued share capital of GMG Media Group Limited (the "Target") (the "Circular").

The PRC Company was established in the People's Republic of China (the "PRC") as a limited liability company on 11 April 2008. The Target entered into the Loan Agreement with the existing equity holders of the PRC Company on 9 October 2009 and entered with the PRC Company and the existing equity holders of the PRC Company into the Irrevocable Share Transfer Agreement and the Share Charge on the same day and the Management Agreement and the supplemental for the Share Charge on 18 December 2009 (collectively, the "Control Agreements"), pursuant to which the Target will wholly control the PRC Company so as to obtain benefits from its activities. The PRC Company is principally engaged in operating chain broadcasting networks of large-screen television channels at shopping malls and department stores in the PRC.

No audited financial statements of the PRC Company have been prepared since the date of establishment as there is no statutory requirement for the PRC Company to prepare audited financial statements for the Relevant Periods.

For the purpose of preparing our report for inclusion in the Circular, the directors of the PRC Company have prepared the financial statements of the PRC Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements").

The Financial Information, which includes the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow of the PRC Company for the Relevant Periods and the balance sheets of the PRC Company as at 31 December 2008 and 2009 together with the notes thereto set out in this report, has been prepared in accordance with HKFRSs and is based on the HKFRS Financial Statements. No adjustments were considered necessary for the purpose of preparing this report for inclusion in the Circular.

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures on the HKFRS Financial Statements as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of the PRC Company are responsible for the preparation of the HKFRS Financial Statements. The directors of the Company and the PRC Company are responsible for the contents of the Circular, including the preparation of the Financial Information which gives, for the purpose of the report, a true and fair view. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgments and estimates are made which are prudent and reasonable, and that the reasons for any significant departure from applicable accounting standards are stated. It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you. We believe that our work provides a reasonable basis for our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the PRC Company as at 31 December 2008 and 2009 and of the results and cash flows of the PRC Company for the Relevant Periods.

I. FINANCIAL INFORMATION

Income Statement

	Notes	Period from 11 April 2008 (date of establishment) to 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000
Revenue	6	–	–
Other income		9	–
Administrative expenses		(179)	(165)
Loss before tax	7	(170)	(165)
Income tax expense	9	–	–
Loss for the period/year		(170)	(165)

Statement of Comprehensive Income

	Period from 11 April 2008 (date of establishment) to 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000
Loss for the period/year	(170)	(165)
Other comprehensive income for the period/year:		
Currency translation difference from functional currency to presentation currency	(7)	8
Total comprehensive income for the period/year	(177)	(157)

Statement of Financial Position

		At 31 December	
		2008	**2009**
	Notes	*HK$'000*	*HK$'000*
Non-current Asset			
Property, plant and equipment	*10*	600	476
Current Assets			
Amount due from a related company	*11*	1,591	1,596
Cash and cash equivalents	*12*	24	–
		1,615	1,596
Current Liabilities			
Accruals		27	27
Amounts due to equity holders	*13*	97	111
		124	138
Net Current Assets		1,491	1,458
Net Assets		2,091	1,934
Capital and Reserves			
Paid-up capital	*14*	2,268	2,268
Reserves		(177)	(334)
		2,091	1,934

Statement of Changes in Equity

	Notes	**Paid-up capital** *HK$'000*	**Foreign exchange reserve** *HK$'000*	**Loss for the period/ accumulated losses** *HK$'000*	**Total** *HK$'000*
Capital contribution	*14*	2,268	–	–	2,268
Total comprehensive income for the period		–	(7)	(170)	(177)
At 31 December 2008		2,268	(7)	(170)	2,091
Total comprehensive income for the year		–	8	(165)	(157)
At 31 December 2009		2,268	1	(335)	1,934

Statement of Cash Flows

	Notes	Period from 11 April 2008 (date of establishment) to 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000
Cash flows from operating activities			
Loss before tax		(170)	(165)
Adjustments for:			
Depreciation		31	127
		(139)	(38)
Increase in accruals		27	–
Increase in amounts due to equity holders		97	14
Net cash used in operating activities		(15)	(24)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(633)	–
Advancement to a related company		(2,211)	–
Repayment from a related company		615	–
Net cash used in investing activities		(2,229)	–
Cash flows from financing activities			
Proceeds from capital contribution	*14*	2,268	–
Net cash from financing activities		2,268	–
Net increase (decrease) in cash and cash equivalents		24	(24)
Effect of exchange rate changes on cash and cash equivalents		–	–
Cash and cash equivalents, at the beginning of period/year		–	24
Cash and cash equivalents, at the end of period/year	*12*	24	–

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The PRC Company was established in the People's Republic of China ("PRC") as a limited liability company on 11 April 2008 under the Company Law of the PRC. The address of its registered office and its principal place of business is Room 3108-C2, 31/F., No. 9, Dong San Huan Middle Road, Chaoyang District, Beijing, PRC.

The PRC Company was inactive during the Relevant Periods.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention and is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The PRC Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*	1 July 2009
HKFRS 2 (Amendments)	*Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions*	1 January 2010
HKFRS 3 (Revised)	*Business Combinations*	1 July 2009
HKFRS 9	*Financial Instruments*	1 January 2013
HKAS 24 (Revised)	*Related Party Disclosures*	1 January 2011
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*	1 July 2009
HKAS 39 (Amendment)	*Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
HK(IFRIC)-Int 14 (Amendment)	*Prepayments of a Minimum Funding Requirement*	1 January 2011
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*	1 July 2009
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
HKFRS (Amendments)	*Improvements to HKFRSs – amendments to HKFRS 5*	1 July 2009
	Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The PRC Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The PRC Company anticipates that the adoptions of these new and revised HKFRSs are unlikely to have a significant impact on the results of operations and the financial position of the PRC Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rate used for this purpose is as follows:

Equipment	5 years

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Financial assets

Financial assets of the PRC Company in the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are classified as loans and receivables. Financial assets are initial measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the PRC Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables including amount due from a related company and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The PRC Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the PRC Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the PRC Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the PRC Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the PRC Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the PRC Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the PRC Company's continuing involvement is the amount of the transferred asset that the PRC Company may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the PRC Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including accruals and amounts due to equity holders are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the PRC Company's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in other comprehensive income if it relates to items that are recognised in the same or a different period directly in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, jointly-controlled entities and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pension scheme

The employees of the PRC Company are required to participate in a central pension scheme operated by the local municipal government. The PRC Company is required to contribute a certain percentage of its payroll costs to the central pension scheme. The only obligation of the PRC Company with respect to the pension scheme is to pay the ongoing contributions under the pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the PRC Company is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of the PRC Company are measured using the currency of the primary economic environment in which the PRC Company operates ("the functional currency"). The PRC Company's functional currency is Renminbi ("RMB"). The Financial Information is presented in HK$.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Translation to the presentation currency*

The results and financial position of the PRC Company in functional currency are translated into the presentation currency as follows:

(i) assets and liabilities for balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for income statement presented are translated at average exchange rate; and

(iii) all resulting exchange differences are recognised charged to other comprehensive income.

Related parties

A party is considered to be related to the Target if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Target; (ii) has an interest in the Target that gives it significant influence over the Target; or (iii) has joint control over the Target;

(b) the party is a member of the key management personnel of the Target;

(c) the party is a close member of the family of any individual referred to in (a) or (b);

(d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(e) the party is a post-employment benefit plan for the benefit of the employees of the Target, or of any entity that is a related part of the Target.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the PRC Company's Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for impairment of amount due from a related company

Amount due from a related company of HK$1,591,000 and HK$1,596,000 as at 31 December 2008 and 2009 respectively were carried at amortised costs using the effective interest method, less any identified impairment losses. The PRC Company makes provision for impairment of the amount due from a related company based on an assessment of the recoverability of such receivables. Provisions are applied to amount due from a related company where events or changes in circumstances indicate that the receivables may not be collectible. The identification of impairment of amount due from a related company requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of the amount due from a related company and provision for impairment losses in the period in which such estimate has been changed.

6. REVENUE

The PRC Company did not generate any revenue from its activity during the Relevant Periods.

7. LOSS BEFORE TAX

The PRC Company's loss before tax is arrived at after charging:

	Period from 11 April 2008 (date of establishment) to 31 December 2008	Year ended 31 December 2009
	HK$'000	*HK$'000*
Depreciation	31	127
Staff costs (including directors' remuneration – *note 8*)		
Salaries and other benefits	14	14
Pension scheme contributions	–	–
	14	14
Minimum lease payments under operating leases for land and buildings	12	6

8. DIRECTORS' AND EMPLOYEES' REMUNERATIONS

(a) Directors' remuneration

None of the directors received any fees or emoluments in respect of their services rendered to the PRC Company during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the PRC Company to the directors as an inducement to join the PRC Company or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid employees during the Relevant Period included none of the directors of the PRC Company. Details of the remuneration of the five non-directors, highest paid employees for the Relevant Period are as follows:

	Period from 11 April 2008 (date of establishment) to 31 December 2008	Year ended 31 December 2009
	HK$'000	*HK$'000*
Salaries and other benefits	14	14
Pension scheme contributions	–	–
	14	14

Each of the non-directors, highest paid employees' remuneration is fell within the range of zero to HK$1,000,000 for the Relevant Periods.

9. INCOME TAX EXPENSE

No provision for the PRC Enterprise Income Tax has been made as the PRC Company did not generate any assessable profits during the Relevant Periods.

A reconciliation of the tax position applicable to loss before tax using the statutory rate in the PRC to the tax expense at the effective tax rate is as follows:

	Period from 11 April 2008 (date of establishment) to 31 December 2008	Year ended 31 December 2009
	HK$'000	*HK$'000*
Loss before tax	(170)	(165)
Tax at the statutory rate of 25%	(43)	(42)
Unrecognised temporary difference	43	42
Tax expense at the effective tax rate	–	–

The PRC Company has not recognised deferred tax assets in respect of tax losses of approximately HK$170,000 and HK$165,000 for the period from 11 April 2008 (date of establishment) to 31 December 2008 and for the year ended 31 December 2009 respectively due to the unpredictability of future profit streams.

10. PROPERTY, PLANT AND EQUIPMENT

	Equipment
	HK$'000
Cost	
Additions	633
Exchange realignment	(2)
At 31 December 2008	631
Exchange realignment	2
At 31 December 2009	633
Accumulated depreciation	
Provided for the period	31
Exchange realignment	–
At 31 December 2008	31
Provided for the year	127
Exchange realignment	(1)
At 31 December 2009	157
Net carrying amount	
At 31 December 2009	476
At 31 December 2008	600

11. AMOUNT DUE FROM A RELATED COMPANY

	At 31 December	
	2008	2009
	HK$'000	*HK$'000*
Guangzhou Mega TV Advertising Media Company Limited (廣州市巨屏廣告傳媒有限公司)	1,591	1,596

The related company is controlled by a number of equity holders of the PRC Company. The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

12. CASH AND CASH EQUIVALENTS

	At 31 December	
	2008	2009
	HK$'000	*HK$'000*
Cash on hand and at banks	24	–

Cash and cash equivalents of the PRC Company were denominated in RMB during the Relevant Periods. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of exchange control promulgated by the PRC Government. Cash at banks earn interest at floating rates based on daily bank deposit rates.

13. AMOUNTS DUE TO EQUITY HOLDERS

The amounts due to equity holders are unsecured, non-interest bearing and has no fixed terms of repayment.

14. REGISTERED AND PAID-UP CAPITAL

	At 31 December			
	2008	**2008 equivalent amount**	**2009**	**2009 equivalent amount**
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*
Registered capital	2,000		2,000	
Paid-up capital	2,000	2,268	2,000	2,268

The following changes in the PRC Company's registered and paid-up capital took place during the Relevant Periods:

(a) Upon establishment, the registered capital of the PRC Company was RMB2,000,000.

(b) On 29 November 2007, paid-up capital was contributed by equity holders, for cash of RMB2,000,000 to provide initial working capital.

15. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The PRC Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The PRC Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the PRC Company's financial performance.

The PRC Company does not have written risk management policies and guidelines. However, the directors of the PRC Company periodically analyse and formulate measures to manage its exposure to credit risk. Generally, the PRC Company employs a conservative strategy regarding its risk management. As its exposure to credit risk is kept at a minimum level, the PRC Company has not used any derivatives or other instruments for hedging purposes. The PRC Company does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the PRC Company is exposed to are discussed below.

(i) Credit risk

The credit risk of the PRC Company's financial assets, which comprise amount due from a related company and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these assets. The management is satisfied with the credit quality of these financial assets.

(ii) Liquidity risk

The PRC Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows from operations and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the PRC Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was less than 1 year.

(b) Capital risk management

The primary objective of the PRC Company's capital management is to safeguard the PRC Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

The directors of the PRC Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The PRC Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the PRC Company may adjust the dividend payment to equity holders, return capital to equity holders or increase in registered and paid-up capital. The PRC Company is not subject to any externally imposed capital requirements.

(c) Fair value estimation

The carrying values of amount due from a related company, cash and cash equivalents, accruals and amounts due to equity holders are assumed to approximate their fair values.

III. SUBSEQUENT EVENTS

No significant events took place subsequent to 31 December 2009 up to the date of this report.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the PRC Company in respect of any period subsequent to 31 December 2009.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma financial information of China Outdoor Media Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred as the "Group") together with GMG Media Group Limited (the "Target") and Beijing Mega TV Media Advertisement Company Limited (北京巨屏傳媒廣告有限公司) (the "PRC Company") (hereinafter collectively referred to as the "Enlarged Group") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 100% of the issued share capital of the Target (the "Acquisition") as if it had taken place on 30 June 2009 in respect of the pro forma consolidated balance sheet and 1 July 2008 in respect of the pro forma consolidated income statement and consolidated cash flow statement.

This unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position, financial results and cash flows of the Enlarged Group had the Acquisition been completed as at 30 June 2009 and 1 July 2008 respectively, or at any future date.

(i) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

	The Group as at 30 June 2009 HK$'000 (Note 1)	The Target as at 31 December 2009 HK$'000 (Note 2)	The PRC Company as at 31 December 2009 HK$'000 (Note 3)	Subtotal HK$'000	Pro Forma adjustments HK$'000	Notes	Unaudited Enlarged Group HK$'000
Non-current assets							
Property, plant and equipment	1,556	–	476	2,032			2,032
Goodwill	5,245	–	–	5,245	1,239,965	7	1,245,210
Loan receivables	–	–	–	–	3,403	4	–
					(3,403)	7	
	6,801	–	476	7,277			1,247,242
Current assets							
Trade and other receivables	99,909	–	1,596	101,505			101,505
Bank and cash balances	4,547	–	–	4,547	3,403	4	7,950
	104,456	–	1,596	106,052			109,455
Current liabilities							
Trade and other payables	32,037	9	138	32,184			32,184
Borrowings	4,413	–	–	4,413	3,403	4	7,816
Current tax liabilities	2,273	–	–	2,273			2,273
	38,723	9	138	38,870			42,273
Net current assets (liabilities)	65,733	(9)	1,458	67,182			67,182
Total assets less current liabilities	72,534	(9)	1,934	74,459			1,314,424
Non-current liabilities							
Borrowings	9,000	–	–	9,000			9,000
Convertible bonds	–	–	–	–	994,546	6	994,546
Net assets (liabilities)	63,534	(9)	1,934	65,459			310,878
Capital and reserves							
Share capital/paid-up capital	10,993	–	2,268	13,261	3,403	4	11,993
					1,000	5	
					(5,671)	7	
Reserves	55,560	(9)	(334)	55,217	12,000	5	301,904
					234,344	6	
					343	7	
Equity attributable to equity holders of the Company	66,553	(9)	1,934	68,478			313,897
Minority interests	(3,019)	–	–	(3,019)			(3,019)
Total Equity	63,534	(9)	1,934	65,459			310,878

(ii) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

	The Group for the year ended 30 June 2009 *HK$'000* *(Note 1)*	The Target for the period from 10 August 2009 (date of incorporation to 31 December 2009 *HK$'000* *(Note 2)*	The PRC Company for the year ended 31 December 2009 *HK$'000* *(Note 3)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Unaudited Enlarged Group *HK$'000*
Continuing operations							
Turnover	38,344	–	–	38,344			38,344
Direct costs	(20,998)	–	–	(20,998)			(20,998)
Gross profit	17,346	–	–	17,346			17,346
Other income	3,775	–	–	3,775			3,775
Impairment of goodwill	(22,923)	–	–	(22,923)			(22,923)
Administrative and other operating expenses	(32,447)	(9)	(165)	(32,621)			(32,621)
Loss from operations	(34,249)	(9)	(165)	(34,423)			(34,423)
Finance costs	(536)	–	–	(536)			(536)
Loss before tax	(34,785)	(9)	(165)	(34,959)			(34,959)
Income tax expense	(2,319)	–	–	(2,319)			(2,319)
Loss for the year/period from continuing operations	(37,104)	(9)	(165)	(37,278)			(37,278)
Discontinued operation							
Loss for the year/period from discontinued operation	(12,852)	–	–	(12,852)			(12,852)
Loss for the year/period	(49,956)	(9)	(165)	(50,130)			(50,130)
Attributable to:							
Equity holders of the Company	(46,936)	(9)	(165)	(47,110)			(47,110)
Minority interests	(3,020)	–	–	(3,020)			(3,020)
	(49,956)	(9)	(165)	(50,130)			(50,130)

(iii) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

	The Group for the year ended 30 June 2009	The Target for the period from 10 August 2009 (date of incorporation to 31 December 2009	The PRC Company for the year ended 31 December 2009	Subtotal	Pro Forma adjustments	Notes	Unaudited Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*				
Cash flow from operating activities							
Loss before tax (excluding loss on disposal of discontinued operation)	(48,645)	(9)	(165)	(48,819)			(48,819)
Adjustments for:							
Finance costs	539	–	–	539			539
Accruals written back	(951)	–	–	(951)			(951)
Depreciation	399	–	127	526			526
Loss on disposal of property, plant and equipment	1	–	–	1			1
Fair value loss on investment properties	18,169	–	–	18,169			18,169
Impairment of goodwill	22,923	–	–	22,923			22,923
Operating loss before working capital changes	(7,565)	(9)	(38)	(7,612)			(7,612)
Decrease in properties held for sale	5,278	–	–	5,278			5,278
Increase in trade and other receivables	(13,437)	–	–	(13,437)			(13,437)
Increase in trade and other payables	7,109	9	14	7,132			7,132
Cash used in operations	(8,615)	–	(24)	(8,639)			(8,639)
Income tax paid	(925)	–	–	(925)			(925)
Finance costs paid	(539)	–	–	(539)			(539)
Net cash used in operating activities	(10,079)	–	(24)	(10,103)			(10,103)
Cash flow from investing activities							
Acquisition of subsidiaries	1,356	–	–	1,356	24	*8*	1,380
Disposal of subsidiaries	2,627	–	–	2,627			2,627
Purchase of property, plant and equipment	(9,975)	–	–	(9,975)			(9,975)
Proceeds from disposal of property, plant and equipment	1	–	–	1			1
Net cash used in investing activities	(5,991)	–	–	(5,991)			(5,967)

	The Group for the year ended 30 June 2009 *HK$'000* *(Note 1)*	The Target for the period from 10 August 2009 (date of incorporation to 31 December 2009 *HK$'000* *(Note 2)*	The PRC Company for the year ended 31 December 2009 *HK$'000* *(Note 3)*	Subtotal *HK$'000*	Pro Forma adjustments *HK$'000*	*Notes*	Unaudited Enlarged Group *HK$'000*
Cash flow from financing activities							
Proceeds from issue of warrants	525	–	–	525			525
Borrowings raised	16,188	–	–	16,188	3,403	4	19,591
Repayment of borrowings	(3,172)	–	–	(3,172)			(3,172)
Net cash generated from financing activities	13,541	–	–	13,541			16,944
Net increase (decrease) in cash and cash equivalents	(2,529)	–	(24)	(2,553)			874
Effect of foreign exchange rate changes	(11)	–	–	(11)			(11)
Cash and cash equivalents, at beginning of year/period	7,087	–	24	7,111	(24)	*8*	7,087
Cash and cash equivalents, at end of year/period	4,547	–	–	4,547			7,950

(iv) Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The consolidated balance sheet, the consolidated income statement and consolidated cash flow statement of the Group are extracted from the published audited financial statements of the Group for the year ended 30 June 2009 as set out in Appendix II to this circular.

2. The balance sheet as at 31 December 2009, the income statement and the cash flow statement for the period from 10 August 2009 (date of incorporation) to 31 December 2009 of the Target are extracted from the accountants' report of the Target as set out in Appendix IIIA to this circular.

3. The balance sheet as at 31 December 2009, the income statement and the cash flow statement for the year ended 31 December 2009 of the PRC Company are extracted from the accountants' report of the PRC Company as set out in Appendix IIIB to this circular.

4. The adjustment represents the net effect from (a) the advancement to the existing equity holders of the PRC Company by the Target through the PRC subsidiary amounted to RMB3,000,000 (equivalent approximately to HK$3,403,000) pursuant to the Loan Agreement (the "Loan Receivables"). It is assumed that the Loan Receivables is advanced by the Vendor and the balance with the Vendor is unsecured, non-interest bearing and without fixed terms of repayment; and (b) increase in paid-up capital of the PRC Company amounted to RMB3,000,000 (equivalent approximately to HK$3,403,000) by the existing equity holders of the PRC Company.

5. The adjustment represents increase in share capital of HK$1,000,000 as a result of the issue of 100,000,000 Consideration Shares on completion of the Acquisition and the increase in share premium totaling of HK$12,000,000 which has been credited to share premium account.

6. The adjustment represents the settlement the remaining of the consideration of the Acquisition by the issue of Convertible Bonds in the principal amount of HK$1,228,890,000 to the Vendor (or his nominee(s)), assuming no conversion of the Convertible Bonds will take place as at the date of issue of the Convertible Bonds.

   The fair value of the liability component of the Convertible Bonds at the date of issue is determined to be HK$994,546,000 by an independent professional valuer. The equity component is therefore HK$234,344,000. In arriving at the above figures, it is assumed that the date of issue is on 30 June 2009.

7. The adjustment represents the recognition of goodwill of HK$1,239,965,000 that would arise from the Acquisition and the elimination of the equity of the Target and the PRC Company with the consideration.

   The goodwill is calculated as the excess of the cost of the Acquisition over the 100% of total fair value of the identifiable assets and liabilities of the Target acquired as at 30 June 2009 less the Target's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the PRC Company exceeded the Loan Receivables ("Negative Goodwill") as at that date.

   The cost of the Acquisition of HK$1,241,890,000 is calculated as the summation of the following:

   (a) the issue of 100,000,000 Consideration Shares at the issue price of HK$0.13 per share upon the Completion to give rise to the consideration of a total amount of HK$13,000,000. The issue price of HK$0.13 per share has been determined after arm's length negotiations between the Company and the Vendor by reference to the market price for the Shares.

   (b) the issue of Convertible Bonds upon the Completion to give rise to the consideration of a total amount of HK$1,228,890,000.

The fair value of the Target's identifiable assets and liabilities acquired is negative of HK$9,000 as at 30 June 2009, which is calculated based on (a) the audited net liability value of the Target of HK$9,000 as at 31 December 2009 plus (b) the Loan Receivables, being the cost of investment in the PRC Company, of HK$3,403,000 as at 30 June 2009 less (c) the advancement from the Vendor of HK$3,403,000.

The cost of investment of HK$3,403,000 represents (a) the audited net asset value of the PRC Company of HK$1,934,000 as at 31 December 2009 plus (b) increase in paid-up capital of the PRC Company amounted to HK$3,403,000 by the existing equity holders of the PRC Company less (c) the Negative Goodwill of HK$1,934,000 arising from the acquisition of 100% equity interest in the PRC Company from its existing equity holders.

The market value of Consideration Shares that should be issued and, accordingly, the goodwill, will be subject to further changes upon the completion of the Acquisition.

8. The adjustment represents the acquisition of the cash and cash equivalents of the PRC Company of HK$24,000.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants of the Company, Martin C. K. Pong & Company, Certified Public Accountants, Hong Kong.

龐志鈞會計師行
Martin C.K. Pong &Company

Unit 1807, 18/F., Wing On House
71 Des Voeux Road Central
Central
Hong Kong

26 March 2010

**ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF CHINA OUTDOOR MEDIA GROUP LIMITED**

We report on the unaudited pro forma financial information of China Outdoor Media Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred as the "Group") together with GMG Media Group Limited (the "Target") and 北京巨屏傳媒廣告有限公司 (Beijing Mega TV Media Advertisement Company Limited) (the "PRC Company") (hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial acquisition of 100% of the issued share capital of the Target might have affected the financial information presented, for inclusion as Appendix IV to the circular of the Company dated 26 March 2010 (the "Circular"). The basis of preparation of the pro forma financial information is set out on pages 141 to 147 of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2009 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 30 June 2009 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Martin C. K. Pong & Company
Certified Public Accountants
Hong Kong

A. LETTER FROM ATHENS CAPITAL

ATHENS CAPITAL

Athens Capital Limited

The Board of Directors
China Outdoor Media Group Limited
Unit 1803, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

26 March 2010

Dear Sirs,

We refer to the announcement of China Outdoor Media Group Limited (the "**Company**") dated 28 December 2009 in relation to the Acquisition which constitutes a very substantial acquisition under the Listing Rules (the "**Announcement**"). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

Athens Capital Limited ("**ACL**") hereby confirms that it has reviewed and discussed with the Company, the bases and assumptions adopted in the profit forecast prepared by Ample Appraisal Limited, the independent valuer of the Company (the "**Independent Valuer**") in the course of their work, and has satisfied itself that the bases and assumptions have been made with due care and objectivity, and on a reasonable basis and that the profit forecast has been made by the Directors after due and careful enquiry.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value and market value of the Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of the Target Company. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value and market value of the Target Company as determined by the Independent Valuer and set out in the valuation reports issued by the Independent Valuer or otherwise.

ACL further confirms that the assessment, review and discussion carried out by it as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that it has, in arriving at its views, relied on information and materials supplied to it by the Independent Valuer, the Group and the Target Group and opinions expressed by, and representations of, the employees and/or management of the Independent Valuer, the Group and Target Group. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcement, for which the Directors of the Company are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by ACL on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to ACL at the time of this letter, would have altered our respective assessment and review. Further, while the qualifications, bases and assumptions adopted by the Independent Valuer are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Independent Valuer.

ACL is acting as financial adviser to the Company in connection with the Acquisition and will receive fees for such advice. ACL and its directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the Acquisition, nor will ACL, its directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

Nothing in this letter should be construed as an opinion or view as to the fair value, market value or any other value of the Target Company or as an opinion or recommendation to any person as to whether they should acquire Shares of the Group or as to how to vote on the Acquisition, the Agreement, the Control Agreements, the Convertible Bonds or other incidental or ancillary documents. Shareholders are recommended to read the Announcement with care.

A copy of this letter in its entirety may be reproduced in the circular to be dispatched to the Shareholders on the basis that none of the Company, the Independent Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
For and on behalf of
Athens Capital Limited

B. LETTER FROM MPC

龐志鈞會計師行
Martin C.K. Pong &Company

Unit 1807, 18/F., Wing On House
71 Des Voeux Road Central
Central
Hong Kong

26 March 2010

The Board of Directors
China Outdoor Media Group Limited
Unit 1803, 18th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

China Outdoor Media Group Limited (the "Company")
Valuation report of GMG Media Group Limited

We report on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the valuation report (the "Valuation") prepared by Ample Appraisal Limited ("Ample") dated 26 March 2010 in respect of the appraisal of the fair value of 100% equity interests in GMG Media Group Limited (the "Target") as of 31 August 2009 is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in a circular to be issued to the Company's shareholders in connection with the proposed acquisition of the entire equity interests in the Target by the Company as announced by the Company on 28 December 2009.

Respective responsibilities of the directors of the Company, the valuer and the reporting accountants

Ample is solely responsible for the preparation of the Valuation while Ample and the directors of the Company are responsible for the reasonableness and validity of the bases and assumptions based on which the Valuation is prepared (the "Assumptions") and the preparation of the discounted future estimated cash flows for the Valuation in accordance with the Assumptions determined by Ample and the directors of the Company.

It is our responsibility to form an opinion, based on our work on the arithmetical accuracy of the calculation of the discounted future estimated cash flows on which the Valuation is based and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the assumptions and express no opinion on the appropriateness and validity of the assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of Opinion

We conducted our work in accordance with Hong Kong Standards on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the discounted future estimated cash flows. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so for as the calculations are concerned, has been properly compiled and for no other purpose. Our work does not constitute any valuation of the fair value of 100% equity interests in the Target.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future estimated cash flows has been property compiled in accordance with the bases and assumptions determined by Ample and the directors of the Company as set out in Appendix I to the circular dated 26 March 2010.

Yours faithfully,
Martin C. K. Pong & Company
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised		*HK$*
20,000,000,000	Shares	200,000,000
Issued and to be issued, fully paid or credited as fully paid		
1,149,285,000	Shares in issue as at the Latest Practicable Date	11,492,850
100,000,000	Consideration Shares to be allotted and issued upon Completion	1,000,000
9,453,000,000	Conversion Shares to allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds	94,530,000
10,702,285,000	Shares	107,022,850

3. DISCLOSURE OF INTERESTS

Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(i) *Shares:*

Name of Director	Nature of interest	Total	Approximate percentage or attributable percentage of shareholding *(%)*
Mr. Lau Chi Yuen, Joseph	Beneficial owner	273,581,900 (L)	23.80

(L) Long Position

(ii) *Share options:*

Name of Director	Number of options held	Nature of interest	Number of underlying Shares	Approximate percentage of the issued share capital of the Company %
Mr. Lu Liang	3,200,000 *(Note 1)*	Beneficial owner	3,200,000	0.28
Mr. Tang Lap Chin	8,403,175 *(Note 1)*	Beneficial owner	8,403,175	0.73

Notes:

1. These share options were granted pursuant to the refreshment of the existing scheme mandate limit of the share option scheme adopted by the member of the Company at the extraordinary general meeting held on 23 November 2007.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) the agreement dated 3 April 2008 and entered into between the Purchaser and Lo Chun Chung, Johnny in relation to sale and purchase of shares in L & L Partners' Limited at a consideration of HK$240,000,000, payable in two tranches of HK$40,000,000 and HK$200,000,000 respectively, whereas the second tranche consideration would be subject to the fulfillment of EBITA guarantee set out in that agreement;

(ii) the placing agreement dated 3 April 2008 and entered into the Company and Tanrich Capital Limited in relation to the placing of Shares of up to 80,000,000 new shares at the placing price of HK$0.20 per Share;

(iii) the supplemental agreement dated 14 April 2008 and entered into between the Purchaser and Lo Chun Chung, Johnny to amend certain terms of the agreement dated 3 April 2008;

(iv) the agreement dated 26 November 2008 and entered into between Welchem Development Limited, a wholly owned subsidiary of the Company, and Target Smart Limited in relation to sales and purchase of shares in First Union, a wholly owned subsidiary of the Company at a consideration of HK$35,000,000;

(v) the agreement dated 6 May 2009 and entered into between the Company and Get Profit Holdings Limited and Target Smart Limited in relation to the subscription of 150,000,000 and 60,000,000 warrants respectively at the issue price of HK$0.0025 per warrant;

(vi) the co-operation agreement dated 19 May 2009 and entered into between China New Media Company Limited, a non-wholly owned subsidiary of the Company, Golden Cereal Supermarket Management Co., Ltd., M Media Global Ltd., Hangzhou Hotou Technology Co., Ltd., and CCI (HK) Ltd. for development of media network in the rural villages in the PRC;

(vii) the agreement dated 27 August 2009 and entered into between the Purchaser and China Post E-Commerce Group Limited in relation to sales and purchase of 4% of the issued share capital of iKanTV Limited, an associated company of the Company (formerly a non-wholly owned subsidiary of the Company), at a consideration of HK$9,200,000;

(viii) the agreements dated 19 February 2010 and entered into between the Company and Orchid Touch Limited, in relation to the subscription of 64,000,000 non-listed warrants at the issue price of HK$0.003125 per warrant, which entitle the holder thereof to subscribe for up to 64,000,000 Shares at the exercise price of HK$0.16 per non-listed warrant share and subscription of the convertible bonds for the aggregate principal amount of HK$9,800,000. The convertible bonds are convertible into Share at the conversion price of HK$0.16 per Share, a total of 61,250,000 Share will be alloted and issued;

(ix) the Agreement; and

(x) the Control Agreements.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Ample	Professional valuer
Athens Capital	A corporation licensed to conduct type 1 and 6 regulated activities as defined under the SFO
Hills	Legal advisers as to PRC Laws
MPC	Certified Public Accountants

Each of Ample, Athens Capital, Hills and MPC has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Ample, Athens Capital, Hills and MPC does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

As at the Latest Practicable Date, the Enlarged Group had the following material claims:

(a) In September 2004, a Writ of Summons was served on the Company by an individual third party demanding immediate repayment of borrowings of approximately HK$1.6 million together with the interest thereon. As the Company had never borrowed money from that individual third party, the directors were of the opinion that the Company had no obligation to pay the demanded amount. In January 2005, an Amended Writ of Summons was served on the Company by the lender of the Group to clarify that the individual third party acted as an agent of the lender. The directors have instructed the lawyer of the Company to handle this matter. The loan advanced by the lender together with interest and penalty totalling approximately HK$2,672,000 has been accrued in the financial statements and has not yet been settled as at the Latest Practicable Date.

The Court has granted an order to adjourn sine die the plaintiffs' application to set down this case on 15 March 2006. That is to say, the lender and its agent have temporarily withheld the proceedings against the Company. This claim has not been settled up to the Latest Practicable Date.

(b) According to an agreement entered into by the Company, two of its subsidiaries and two independent third parties in February 2003, the Group had disposed of a subsidiary, World Giant Limited ("World Giant"), a company engaged in property investment in the PRC. In this connection, the Company has undertaken to indemnify World Giant for, among others, any increase in the liabilities of World Giant as a result of any claim for taxation arising from any transactions effected on or before the completion date of the above disposal. In October 2004, World Giant received a payment request from the PRC tax authority in respect of PRC property taxes relating to the property held by World Giant, including the late payment surcharge levied by the tax authority, of which approximately an amount of RMB6.1 million related to transactions on or before the completion date. The existing management of World Giant had indicated to the directors that the amount in respect of transactions on or before the completion date should be paid by the Company. In February 2005, a Writ of Summons was served on the Company demanding the payment of approximately RMB6.1 million. However, such amounts were covered by the amount accrued in the financial statements of World Giant at the time of disposal. Accordingly, in the opinion of the directors and having obtained an opinion from the Company's lawyer, the Group or the Company has no obligation to pay the above taxes. Because of the uncertainty of the outcome of this matter, the amount involved of approximately RMB6.1 million, equivalent to approximately HK$6.9 million (2008: HK$7.0 million), has been shown as contingent liabilities as at the Latest Practicable Date.

The Writ of Summons was served on the Company in February 2005. The Company has not received further claims from the plaintiff up to the date of issuing this Circular.

(c) A Notice of Intention to Proceed after a Year's Delay dated 22 October 2007 was received by the Company in respect of a Writ of Summons previously served on the Company in August 2004 by an independent consultancy company for repayment of outstanding consultancy fees in the amount of approximately HK$2.2 million together with interest thereon. As that consultancy company had never been formally appointed as a consultant of the Company, the directors are of the opinion that the Company has no obligations to pay the aforesaid amount to that consultancy company. In fact, an independent third party controlling that consultancy company had provided certain consultancy services to the Company during the relevant period. The directors had negotiated with that independent third party who agreed to take up the responsibility of settlement of the aforesaid amount owing to that consultancy company and the related legal costs.

On 6 July 2009, the Company entered into a consent order with the independent consultancy company for the settlement of the outstanding consultancy fees in the amount of approximately HK$5,800,000. Accruals of approximately HK$3,600,000 has been made in the financial statements for the year ended 30 June 2009. The remaining balance of approximately HK$2,200,000 was indemnified by an independent third party.

Accordingly, in the opinion of the Company's lawyer, the litigation was concluded upon the compliance with the terms set out in the consent order. However, on 3 February 2010, the Company received a notice that the independent third party claimed for legal costs in the amount of approximately HK$1.2 million. The Company is contesting with the independent third party and this claim has not been settled up to the Latest Practicable Date.

Save as disclosed, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2009, being the date to which the latest published audited financial statements of the Group was made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Enlarged Group.

(b) As at the Latest Practicable Date, neither Ample, Athens Capital, Hills, MPC nor any Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 30 June 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Tricor Abacus Limited, the share registrar and transfer office of the Company is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. Ng Ka Sim, who is a member of both the CPA Australia and The Hong Kong Institute of Certified Public Accountants.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Unit 1803, 18th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 19 April 2010 and at the EGM:

(a) the articles and memorandum of association of the Company;

(b) the valuation report on the Target Group, the text of which is set out in Appendix I to this circular;

(c) the accountants' report on the Target prepared by MPC, the text of which is set out in Appendix IIIA to this circular;

(d) the accountants' report on the PRC Company prepared by MPC, the text of which is set out in Appendix IIIB to this circular;

(e) the accountants' report from MPC on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the letter from Athens Capital in relation to the valuation of the Target Group, the text of which is set out in Appendix V to this circular;

(g) the letter from MPC in relation to the valuation of the Target Group, the text of which is set out in Appendix V to this circular;

(h) the PRC legal opinion in relation to (i) the validity and legality of the establishment of the Target Group, and its operations as going concern entities and the transactions contemplated under the Agreement; and (ii) the validity, legality and enforceability of the Control Agreements;

(i) the annual reports of the Company for each of the two financial years ended 30 June 2009;

(j) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(k) the written consents referred to under the paragraph headed "Experts" in this Appendix; and

(l) this circular.

CHINA OUTDOOR MEDIA GROUP LIMITED
中國戶外媒體集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 254)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of China Outdoor Media Group Limited (the "**Company**") will be held at Unit 4102, 41/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Monday, 19 April 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement (the "**Agreement**") (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) dated 4 December 2009 and entered into between Konmate Investments Limited, a wholly owned subsidiary of the Company, as purchaser, Fully Wealthy Inc. (the "**Vendor**") as vendor and Jiang Qi Hang as guarantor in relation to the sale and purchase of one share of US$1.00 being the entire issued share capital of GMG Media Group Limited at a consideration of HK$1,241,890,000 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to take all steps he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder;

(c) the allotment and issue of an aggregate of an aggregate of 100,000,000 shares (the "**Consideration Shares**" and each a "**Consideration Share**") of HK$0.01 each in the share capital of the Company credited as fully paid at an issue price of HK$0.130 per Consideration Share to the Vendor in accordance with the Agreement be and is hereby approved; and

(d) the issue of convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$1,228,890,000 of the Company to the Vendor in accordance with the Agreement be and is hereby approved, and any one or more of the Directors be and is/are hereby authorised to take all steps he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the issue of the Convertible Bonds including but not limited to the allotment and the issue of the shares of HK$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bonds."

By order of the Board
China Outdoor Media Group Limited
Lau Chi Yuen, Joseph
Director

Hong Kong, 26 March 2010

Registered office:
Unit 1803, 18th Floor
Sun Hung Kai Centre
No. 30 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.