

**CTV 中視金橋<sup>®</sup>**

**中視金橋國際傳媒控股有限公司**  
**SinoMedia Holding Limited**

(incorporated in Hong Kong with limited liability)

**Stock code: 623**

Interim Report **2008**

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Chen Xin  
Ms. Liu Jinlan  
Mr. Li Zongzhou

## NON-EXECUTIVE DIRECTORS

Mr. Zhu Jia  
Mr. Huang Jingsheng

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ding Junjie  
Dr. Qi Daqing  
Mr. Chen Tianqiao

## AUDIT COMMITTEE

Dr. Qi Daqing (*Chairman*)  
Mr. Ding Junjie  
Mr. Huang Jingsheng

## REMUNERATION COMMITTEE

Mr. Chen Xin (*Chairman*)  
Mr. Ding Junjie  
Mr. Chen Tianqiao

## COMPLIANCE COMMITTEE

Mr. Li Zongzhou (*Chairman*)  
Mr. Xu Chong (also known as Xu Songzhen)  
Mr. Chan Oi Nin Derek

## COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Oi Nin Derek

## AUTHORISED REPRESENTATIVES

Mr. Chen Xin  
Mr. Chan Oi Nin Derek

## COMPLIANCE ADVISER

Cazenove Asia Limited

## REGISTERED OFFICE OF THE COMPANY

Room 1505, 15th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong

## CORPORATE HEADQUARTERS

Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC

## LEGAL ADVISER

Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP

## AUDITORS

KPMG

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Rooms 1712–1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

## INVESTOR RELATIONS CONSULTANT

Hill & Knowlton Asia Ltd

## WEBSITE

[www.sinomedia.com.hk](http://www.sinomedia.com.hk)

# Financial Summary

<b>RMB'000</b>	<b>As at 30 June 2008</b>	As at 31 December 2007	
Total assets	<b>431,247</b>	540,149	
Equity attributable to equity holders of the Company	<b>342,565</b>	388,693	
	<b>For the six months ended 30 June 2008</b>	For the six months ended 30 June 2007	Change (%)
Revenue	<b>238,613</b>	157,114	+51.9%
Profit from operations	<b>53,373</b>	18,572	+187.4%
Profit attributable to equity holders of the Company	<b>44,786</b>	2,081	+20.5 times
Earnings per share (RMB)			
— Basic	<b>0.104</b>	0.005	+19.8 times
— Diluted	<b>0.100</b>	0.005	+19.0 times

## Revenue by sales channels:

<b>RMB'000</b>	<b>For the six months ended 30 June 2008</b>	For the six months ended 30 June 2007	Change (%)
Advertising service	<b>240,943</b>	159,601	+51.0%
— CCTV	<b>235,007</b>	141,465	+66.1%
— Regional TV	<b>5,936</b>	12,211	(51.4%)
— Others	—	5,925	N/A
Agency service	<b>4,890</b>	2,457	+99.0%
Others	—	30	N/A
Sales taxes and surcharges	<b>(7,220)</b>	(4,974)	+45.2%
Revenue	<b>238,613</b>	157,114	+51.9%

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2008, revenue of SinoMedia Holding Limited (the “Company”) and its subsidiaries (collectively the “Group”) reached a total of RMB238,613 thousand, a 51.9% increase from RMB157,114 thousand recorded for the same period last year. The satisfactory performance was attributable mainly to the Group’s efforts on purchasing more TV advertisement time for key programmes from China Central Television Station (“CCTV”) and the rise in the average selling price of advertisement time.

### Operating profit

For the six months ended 30 June 2008, the Group recorded an operating profit of RMB53,373 thousand, representing a year-on-year increase of 187.4%. During the reporting period, based on management’s solid experience and profound insight in China’s media industry, the Group accurately predicted that the advertising market conditions would vary in 2008 as compared to previous years. For example, it correctly foresaw a drop in advertising expenditure in the regional advertising market as a result of the impact of the Beijing Olympics 2008. The Group has accordingly decreased the amount of resources it allocated to the regional media. Through accurate analysis of customers’ needs, we also adjusted the resources allocation and sales mix, leading to an increase in the gross profit margin to 29.7% from 24.3% recorded in the corresponding period last year.

### Operating expenses

For the first half of 2008, the Group’s selling and marketing expenses rose by RMB2,290 thousand as compared to the same period of 2007 and amounted to RMB9,469 thousand, accounting for 4.0% of the Group’s total revenue (1H 2007: 4.6%). The increase of amount was mainly due to an increase in salaries and benefits for salespeople and expenses for sales development to boost sales revenue and broaden client base. The drop of percentage of selling expenses in proportion to revenue indicates the enhanced selling efficiency of the Group.

For the first half of 2008, the administrative expenses and other expenses totaled RMB21,650 thousand, accounting for 9.1% of the Group’s revenue (the proportion was 7.9% for the same period last year). During the reporting period, administrative expenses and other expenses increased by RMB9,189 thousand. The rise was mainly attributable to several factors: (1) The Group has hired a number of highly qualified employees who are conducive to the Group’s development strategy and listing initiative. In addition, all employees were rewarded competitive salaries and benefits. Thus, employee salaries and benefits rose by RMB6,070 thousand in the first half of 2008, which encompassed an increase of RMB4,898 thousand in expenses incurred from share option scheme (1H 2007: nil). (2) In connection with certain new lease agreements, the Group leased three properties from a controlling equity holder for business operations, thus causing an increase in expenses of RMB1,058 thousand.

### Liquidity and capital resources

As at 30 June 2008, the Group had a total of RMB194,132 thousand of cash and bank balances (as at 31 December 2007: RMB352,061 thousand). The drop in cash and bank balances was mainly due to the distribution of RMB89,669 thousand in dividend during the reporting period, which also accounted for the fall in the equity attributable to equity holders. At present, the Group has sufficient working capital for daily operations.

## FINANCIAL REVIEW (CONTINUED)

### Liquidity and capital resources (continued)

The Group was successfully listed at The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 July 2008, raising net proceeds of approximately HK\$286 million (equivalent to approximately RMB251 million) in total. Including the funds raised, the Group would have approximately RMB445 million in cash and bank balances.

As at the end of the reporting period, the Group did not have any bank loans or other forms of loans or assets held under finance lease (as at 31 December 2007: nil).

## BUSINESS REVIEW

### Operation of media resources

During the six months ended 30 June 2008, the earthquake in Sichuan of China had taken its toll on the whole advertising industry in the country, and the Group’s underwriting resources had also been affected to a certain extent. However, with our management’s professional knowledge in China’s media market and our sales efforts, the Group still maintained excellent performance in terms of the business results of advertising services on CCTV channels. Before deducting sales taxes and surcharges, the revenue of the Group’s advertising services on CCTV channels surged 66.1% to RMB235,007 thousand as compared to the previous period.

According to “International Advertising” magazine, the Group is one of the largest privately-owned underwriters of TV advertisement time for CCTV, with substantial media resources and underwriting rights to advertisement time on CCTV-1, CCTV-2, CCTV-4 and CCTV-9. During the reporting period, the Group purchased 18,511 minutes on CCTV, representing a 22% increase from 15,175 minutes acquired in the same period in 2007. The Group sold a total of 5,107 minutes of advertisement time, a 16.7% rise from 4,378 minutes for the corresponding period in 2007.

### CCTV-1 News Channel

The Group has the right to sell the advertisement time for CCTV-1’s leading morning news programme “Media Headline (媒體廣場)”. During the reporting period, the Group exclusively sold 674 minutes of advertisement time on CCTV-1, amounting to an increase of 27.7% year-on-year. According to a study into 18 cities conducted by CVSC-Sofres Media, the average rating of “Media Headline (媒體廣場)” for the first half of 2008 was 0.91%, compared with 0.77% in 2007. “Media Headline” is an important platform in which the Group’s tourism-related clients advertise. The satisfactory result achieved in the first half of 2008 is a reflection of the Group’s efforts in strengthening its position in the tourism market.

### CCTV-2

The Group has right to sell the advertisement time of CCTV-2’s “China Finance Report (中國財經報導)”. For the first half of 2008, the length of advertisement time exclusively sold by the Group grew 30.2% year-on-year to 124 minutes. According to the study into 18 cities conducted by CVSC-Sofres Media, “China Finance Report” earned a rating of 0.57% for the first half of 2008, consistent with the same period last year.

# Management Discussion and Analysis

## **BUSINESS REVIEW** (CONTINUED)

### **CCTV-4**

According to the CVSC-Sofres Media study into 18 cities, CCTV-4 had an average rating of 0.30% for the first half of 2008. The programmes such as “Across the Strait (海峽兩岸)”, “Fate (緣分)”, “7pm Drama Series (19點電視劇)” and “Happy Hour Around the World (同樂五洲)” which the Group has exclusive rights to sell advertisement time were among the top 10 rating programmes of the channel. During the reporting period, the Group analysed customers’ demand carefully and designed a number of products to match peak and non-peak hours, leading to a 24.5% year-on-year growth in TV advertisement time sold to 3,055 minutes.

### **CCTV-9**

CCTV-9 is the only 24-hour English-language TV channel of CCTV. For the period ended 30 June 2008, the Group’s revenue from sales of advertisement time on CCTV-9 grew 32.6% year-on-year, while utilisation rate decreased by 3.5%. This indicates that the Group’s years of efforts in promoting the CCTV-9 market have started to pay off, with customers beginning to recognize the channel’s communication value. The Group believes CCTV-9 will enter into a growth period in the near future and we will continue to refine our products, with a view to providing better options and services to our customers, widening our client base and further improving our financial performance.

### **Regional media**

During the reporting period, the Group accurately grasped the mainland’s advertising environment and changed our resources allocation. Fewer resources were invested in the regional media in a bid to dodge the negative impact brought about by the shrinkage of the infomercial programmes. At the same time, the Group has signed more flexible sales agreements with regional media resources suppliers, including Jiangsu TV City Channel and Shenzhen Satellite TV Channel. The agreements effectively reduced business risk while maintaining the stability of the Group’s media supply. As at 30 June 2008, the Group had RMB5,936 thousand in advertising income from the regional media business. Gross loss of the regional media decreased significantly to RMB3,106 thousand this year from RMB7,515 thousand last year. The fall is testimony to the Group’s efforts in boosting efficiency and sales ability in the regional media. The Group will further upgrade the professional standard of the sales teams of regional media and refine its sales strategy for the regional media, in a bid to make the regional media business one of the Group’s key growth drivers.

### **Other business operations**

While offering exclusive advertising services during the first half of 2008, the Group also maintained other business operations. During the period, RMB4,890 thousand was generated from other business operations, including agency and other services provision. This compares with RMB2,457 thousand for the same period in 2007.

## INDUSTRY AND GROUP OUTLOOK

China has the highest number of TV viewers in the world. With a population of over 1.3 billion, it is also one of the fastest growing economies. With the continuous growth of its GDP and the persistent increase in income and consumption, China's media industry continues to develop rapidly, with immense opportunities on offer. According to a market analysis report by Zenith Media, the gross advertising expenditure for all media channels in China reached RMB120.0 billion. In 2010, the amount is expected to grow to RMB193.8 billion, representing a compound annual growth rate of more than 17%. Meanwhile, versatile TV channels and the new media are set to be the key growth areas in the future.

However, with globalization and marketization continuing and the mainland's industry policy becoming more open, competition in the media industry is set to be more intense than ever. We believe that China's media industry will see further consolidation. As one of the leading privately-owned underwriters of TV advertisement time for CCTV, SinoMedia will benefit from the consolidation and will continue to fortify its leading position in the media advertising industry in China.

In July 2008, the Group was successfully listed on the Stock Exchange. It also attracted internationally renowned investment firm Bain Capital and other international institutional investors as the Group's shareholders to support its long term growth. The Group's listing marked a new chapter for its development and enabled the Group to gain access to international capital market. The Group will fully utilise the additional funding to further expand its media advertising sales business.

Looking forward, the Group will continue to enhance leading position in the industry. It will continue to strengthen collaboration with CCTV, regional TV stations and the digital media to further enrich its media resources and boost the Group's profitability and core competitiveness in the industry. Meanwhile, the Group is on the lookout for new opportunities in the new media, including the Internet and mobile phones, with a view to building strategic partnerships with other advertising operators to complement existing operations.

On behalf of the Board of Directors, we would like to express our gratitude to the constant support of all our business partners, shareholders and employees throughout these years. The Group will be committed to its corporate mission and strive to become a leading advertising operator in China, providing first-class services to customers and creating value for shareholders.

# Condensed Consolidated Income Statement

For the six months ended 30 June 2008

		<b>Unaudited</b> <b>Six months ended 30 June</b>	Unaudited
	<i>Notes</i>	<b>2008</b> <b>RMB'000</b>	2007 <i>RMB'000</i>
Revenue	3, 4	<b>238,613</b>	157,114
Cost of services		<b>(167,687)</b>	(118,938)
<b>Gross profit</b>		<b>70,926</b>	38,176
Other income	5	<b>13,566</b>	36
Selling and marketing expenses		<b>(9,469)</b>	(7,179)
General and administration expenses		<b>(21,650)</b>	(12,461)
<b>Profit from operations</b>		<b>53,373</b>	18,572
Finance income		<b>5,341</b>	1,693
Finance expenses related to convertible redeemable preference shares		—	(14,397)
Other finance expenses		—	(434)
<b>Net finance expense</b>		<b>5,341</b>	(13,138)
<b>Profit before income tax</b>	6	<b>58,714</b>	5,434
Income tax expense	7	<b>(13,697)</b>	(3,482)
<b>Profit for the period</b>		<b>45,017</b>	1,952
<b>Attributable to:</b>			
Equity holders of the Company		<b>44,786</b>	2,081
Minority interests		<b>231</b>	(129)
<b>Profit for the period</b>		<b>45,017</b>	1,952
<b>Dividends</b>	8	<b>89,669</b>	—
<b>Earnings per share</b>	9		
Basic earnings per share (RMB)		<b>0.104</b>	0.005
Diluted earnings per share (RMB)		<b>0.100</b>	0.005

# Condensed Consolidated Balance Sheet

As at 30 June 2008

	<i>Notes</i>	<b>Unaudited At 30 June 2008 RMB'000</b>	Audited At 31 December 2007 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	50,919	48,266
Deferred tax assets		3,991	3,268
<b>Total non-current assets</b>		<b>54,910</b>	51,534
<b>Current assets</b>			
Trade and other receivables	11	137,176	97,258
Receivables due from related parties	12	45,029	28,255
Cash and cash equivalents	13	194,132	352,061
Assets classified as held for sale		—	11,041
<b>Total current assets</b>		<b>376,337</b>	488,615
<b>Total assets</b>		<b>431,247</b>	540,149
<b>Equity</b>			
Share capital		137	137
Reserves		342,428	388,556
<b>Equity attributable to the equity holders of the Company</b>		<b>342,565</b>	388,693
<b>Minority interests</b>		<b>1,159</b>	928
<b>Total equity</b>		<b>343,724</b>	389,621
<b>Non-current liabilities</b>			
Deferred tax liabilities		398	—
<b>Total non-current liabilities</b>		<b>398</b>	—

# Condensed Consolidated Balance Sheet

As at 30 June 2008

	<i>Note</i>	<b>Unaudited At 30 June 2008 RMB'000</b>	Audited At 31 December 2007 RMB'000
<b>Current liabilities</b>			
Trade and other payables	14	<b>76,714</b>	136,725
Payables due to related parties		<b>122</b>	958
Income tax payables		<b>10,289</b>	12,845
<b>Total current liabilities</b>		<b>87,125</b>	150,528
<b>Total liabilities</b>		<b>87,523</b>	150,528
<b>Total equity and liabilities</b>		<b>431,247</b>	540,149
<b>Net current assets</b>		<b>289,212</b>	338,087
<b>Total assets less current liabilities</b>		<b>344,122</b>	389,621

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share capital	Capital reserves	Share premium	Capital redemption reserve	Statutory reserves	Translation reserves	Other reserves	Retained earnings	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	90	24,717	(89,481)	16	18,814	(622)	1,964	99,183	54,681	10	54,691
Foreign currency translation difference	–	–	–	–	–	3,365	–	–	3,365	–	3,365
Difference between the carrying amount of the net assets received and the consideration paid on business combination	–	–	–	–	–	–	1,828	–	1,828	–	1,828
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	658	658
Profit for the period	–	–	–	–	–	–	–	2,081	2,081	(129)	1,952
Balance at 30 June 2007	90	24,717	(89,481)	16	18,814	2,743	3,792	101,264	61,955	539	62,494
Balance at 1 July 2007	90	24,717	(89,481)	16	18,814	2,743	3,792	101,264	61,955	539	62,494
Foreign currency translation difference	–	–	–	–	–	8,185	–	–	8,185	–	8,185
Acquisition of minority interest	–	–	–	–	–	–	200	–	200	–	200
Share-based payments	–	5,456	–	–	–	–	–	–	5,456	–	5,456
Conversion of convertible redeemable preference shares	47	(24,717)	297,332	–	–	–	–	–	272,662	–	272,662
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	(199)	(199)
Profit for the period	–	–	–	–	–	–	–	40,235	40,235	588	40,823
Appropriation to reserves	–	–	–	–	12,685	–	–	(12,685)	–	–	–
Balance at 31 December 2007	137	5,456	207,851	16	31,499	10,928	3,992	128,814	388,693	928	389,621
<b>Balance at 1 January 2008</b>	<b>137</b>	<b>5,456</b>	<b>207,851</b>	<b>16</b>	<b>31,499</b>	<b>10,928</b>	<b>3,992</b>	<b>128,814</b>	<b>388,693</b>	<b>928</b>	<b>389,621</b>
Foreign currency translation difference	–	–	–	–	–	(2,343)	–	–	(2,343)	–	(2,343)
Share-based payments	–	4,898	–	–	–	–	–	–	4,898	–	4,898
Release of reserves due to the liquidation of CTV Golden Bridge International Advertising Company Limited	–	–	–	–	(18,814)	(1,874)	(1,926)	18,814	(3,800)	–	(3,800)
Dividends	–	–	–	–	–	–	–	(89,669)	(89,669)	–	(89,669)
Profit for the period	–	–	–	–	–	–	–	44,786	44,786	231	45,017
<b>Balance at 30 June 2008</b>	<b>137</b>	<b>10,354</b>	<b>207,851</b>	<b>16</b>	<b>12,685</b>	<b>6,711</b>	<b>2,066</b>	<b>102,745</b>	<b>342,565</b>	<b>1,159</b>	<b>343,724</b>

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2008</b> <b>RMB'000</b>	Unaudited 2007 RMB'000
Cash generated from operations	<b>(52,409)</b>	25,689
Interest paid	—	(46)
Tax paid	<b>(16,579)</b>	(1,924)
Net cash from/(used in) operating activities	<b>(68,988)</b>	23,719
Net cash from/(used in) investing activities	<b>2,183</b>	(113,192)
Net cash used in financing activities	<b>(89,669)</b>	(1,425)
Net decrease in cash and cash equivalents	<b>(156,474)</b>	(90,898)
Cash and cash equivalents at 1 January	<b>352,061</b>	311,269
Effect of foreign exchange rates changes	<b>(1,455)</b>	(2,758)
Cash and cash equivalents at 30 June	<b>194,132</b>	217,613

# Notes to the Condensed Consolidated Financial Statements

## 1 REPORTING ENTITY

SinoMedia Holding Limited (the “Company”) is a company domiciled in Hong Kong. The address of the Company’s registered office is Room 1505, 15th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong. The interim financial report of the Company as at and for the six months ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board (IASB). It was authorised for issuance on 17 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies in all material respects with those followed in the preparation of the historical financial information contained in the prospectus of the Company dated 25 June 2008 (“Prospectus”).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 June 2008.

## 3 SEGMENT REPORTING

No analysis of the Group’s turnover and contribution to profit from operations by geographical segment or business segment has been presented as most of the Group’s operating activities are carried out in the PRC and less than 10 percent of the Group’s turnover and contribution to profit from operations are derived from activities outside the Group’s media related services. There is no other geographical or business segment with segment assets equal to or greater than 10 percent of the Group’s total assets.

# Notes to the Condensed Consolidated Financial Statements

## 4 SEASONALITY OF OPERATIONS

TV advertisement spending in China shows notable seasonal fluctuations, with higher customer demand and more advertisement spending occurring in the second half of each calendar year. As a result, selling prices to clients and utilisation rates are generally lower in the first half of the year, compared to the second half. On the other hand, cost of revenue consists primarily of the cost to purchase TV advertisement time from various advertisement resource providers, which is generally incurred ratably over the contract period, typically for one year. Gross profit and gross margin are therefore generally comparatively lower for the first half of a year.

## 5 OTHER INCOME

	<b>Unaudited</b>	Unaudited
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	<b>RMB'000</b>
Net gains on sale of assets classified as held for sale	<b>3,695</b>	—
Waiver of debts	<b>7,753</b>	36
Government grant	<b>2,118</b>	—
	<b>13,566</b>	36

## 6 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	<b>Unaudited</b>	Unaudited
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on borrowings	—	(46)
Depreciation	<b>1,222</b>	1,384
	<b>1,222</b>	1,338

# Notes to the Condensed Consolidated Financial Statements

## 7 INCOME TAX EXPENSE

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2008</b> <i>RMB'000</i>	Unaudited 2007 <i>RMB'000</i>
Current tax — PRC Income tax	<b>14,021</b>	3,482
Deferred taxation	<b>(324)</b>	—
	<b>13,697</b>	3,482

No provision has been made for Hong Kong profits tax as the Company did not earn any income subject to Hong Kong profits tax for the six months periods ended 30 June 2008 and 2007.

Taxation for PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the PRC.

## 8 DIVIDENDS

Dividends payable to the equity holders of the Group attributable to the period:

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2008</b> <i>RMB'000</i>	Unaudited 2007 <i>RMB'000</i>
Dividends	<b>89,669</b>	—

Pursuant to the board resolutions dated 24 April 2008, the Group declared dividends at an aggregate amount of HK\$100 million (equivalent to approximately RMB89.7 million at an exchange rate of 0.89669) to the shareholders from the distributable reserve to date. Such dividends were fully paid in June 2008.

**No further interim dividend is declared by the Company for the six months ended 30 June 2008.**

# Notes to the Condensed Consolidated Financial Statements

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of RMB44,786 thousand (six months ended 30 June 2007: RMB1,307 thousand) and the weighted average number of ordinary shares of 432,022,400 (2007: 271,267,200).

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent of RMB44,786 thousand (six months ended 30 June 2007: RMB1,307 thousand) and the weighted average number of ordinary shares of 445,763,745 (2007: 271,267,200).

## 10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired items of plant and equipment with a cost of RMB3,617 thousand (six months ended 30 June 2007: RMB42,882 thousand).

Pursuant to a real estate purchase contract signed by Beijing Wantong Shijie Real Estate Company Limited and CTV Golden Bridge International Media Company Limited (“CTV Media Shanghai”), a 99.4% owned subsidiary of the Company, on 16 May 2007, CTV Media Shanghai purchased an office space, Unit C2101, Wantong Plaza, No. Jia 6, Chaoyangmen Wai Street, Chaoyang District, Beijing, the PRC, for RMB41,617 thousand. The property, which has not obtained any proper title certificate, is recognised as an asset and begins to be depreciated when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Such building has been mortgaged to a bank and CTV Media Shanghai was so informed by the seller at the time of purchase. According to the purchase agreement, in case CTV Media Shanghai can not obtain the building ownership certificate within 1,095 days due to the default of the seller, CTV Media Shanghai has the right to either (a) return the building back to the seller and claim 2% of the purchase price for the property as compensation; or (b) keep the building and claim 1% of the purchase price as compensation. Up to the date of this report, the Group had not obtained the ownership certificate of this building.

# Notes to the Condensed Consolidated Financial Statements

## 11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	<b>Unaudited</b> <b>At 30 June</b> <b>2008</b> <b>RMB'000</b>	Audited At 31 December 2007 RMB'000
Current or less than 3 months overdue	<b>38,954</b>	14,752
More than 3 months overdue but less than 12 months overdue	<b>21,934</b>	23,962
Over 12 months overdue	<b>2,934</b>	1,336
Less: Impairment losses on bad and doubtful accounts	<b>(1,158)</b>	—
Total debtors and bills receivables, net of impairment loss	<b>62,664</b>	40,050
Prepayments to media suppliers	<b>44,618</b>	28,285
Deposits	<b>12,620</b>	13,150
Advances to employees	<b>3,486</b>	1,545
Listing fees	<b>8,606</b>	5,121
Others	<b>5,182</b>	9,107
	<b>137,176</b>	97,258

Credit terms are granted to the customers, depending on credit assessment carried out by management on an individual basis. The credit terms for trade receivables are generally from nil to 90 days.

# Notes to the Condensed Consolidated Financial Statements

## 12 RECEIVABLES DUE FROM RELATED PARTIES

	<b>Unaudited At 30 June 2008 RMB'000</b>	Audited At 31 December 2007 RMB'000
An ultimate controlling equity holder of the Company	<b>16,955</b>	—
CTV Golden Bridge International Media Investment Group Company Limited	<b>5,108</b>	5,108
Shanghai CTV Golden Bridge International Culture and Communication Company Limited	<b>18,776</b>	18,776
Beijing Golden Bridge Information Technology Company Limited	<b>4,190</b>	4,371
	<b>45,029</b>	28,255

All receivables due from related parties were fully collected in July 2008.

## 13 CASH AND CASH EQUIVALENTS

	<b>Unaudited At 30 June 2008 RMB'000</b>	Audited At 31 December 2007 RMB'000
Cash at bank and in hand	<b>194,132</b>	352,061
Cash and cash equivalents in the balance sheet	<b>194,132</b>	352,061
Cash and cash equivalents in the cash flow statement	<b>194,132</b>	352,061

# Notes to the Condensed Consolidated Financial Statements

## 14 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	<b>Unaudited At 30 June 2008 RMB'000</b>	Audited At 31 December 2007 RMB'000
Due within 3 months or on demand	<b>7,493</b>	38,817
Due after 3 months but within 1 year	<b>—</b>	3,310
Total creditors	<b>7,493</b>	42,127
Advances from customers	<b>62,463</b>	78,626
Welfare expenses payables	<b>1,328</b>	55
Other compulsory payables	<b>428</b>	2,365
Other tax payables	<b>850</b>	3,883
Other payables and accrued charges	<b>4,152</b>	9,669
	<b>76,714</b>	136,725

## 15 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2008, RMB16 million was lent by CTV Media Shanghai to an ultimate controlling equity holder of the Company. Such amount had been fully paid up in July 2008.

## 16 POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 June 2008:

- (a) On 8 July 2008, the Company issued 125,460,000 ordinary shares in connection with its global offering and the commencement of the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited and raised gross proceeds of approximately RMB209 million.
- (b) On 30 July 2008, the Over-Allotment Option referred to in the Prospectus was partially exercised by the Joint Global Coordinators on behalf of the International Underwriters. The Company allotted and issued an aggregate of 13,887,000 additional shares, representing 11.1% of the shares initially issued under the global offering.
- (c) Resolved by the board of directors on 25 July 2008, the Company proposed to contribute and pay up US\$10 million as the additional registered capital of CTV Media Shanghai, which increased the registered capital of CTV Media Shanghai from US\$10 million to US\$20 million. As a result, the Company will own 99.7% of the equity interests in CTV Media Shanghai.

# Notes to the Condensed Consolidated Financial Statements

## 17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2008

Up to the date of issuance of the consolidated financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period beginning on 1 January 2008 and which have not been adopted in preparing the consolidated financial statements:

	<b>Effective for accounting periods beginning on or after</b>
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRS 8, Operating segments	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Revised IAS 1, Presentation of financial statements	1 January 2009
Amendment to IFRS 2, Share-based payment — Vesting conditions and cancellations	1 January 2009
Amendments to IAS 32, Financial instruments	1 January 2009
Amendments to IFRS1, First-time adoption of International Financial Reporting Standards, and IAS27, Consolidated and separate financial statements	1 January 2009
IFRIC 15, Agreements for the construction of real estate	1 January 2009
Revised IFRS 3, Business combinations	1 July 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39, Financial instruments: Recognition and measurement — Eligible hedged items	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the consolidated financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## SHARE OPTION SCHEME

### Pre-IPO Share Option Scheme

SinoMedia Holding Limited (the “Company”) has adopted a share option scheme (the “Pre-IPO Scheme”) on 29 June 2007. Under the Pre-IPO Scheme, certain persons have been granted a total of 18,560,000 options (the “Pre-IPO Options”) prior to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 July 2008 (the “Listing”). Each option entitles the holder to purchase one ordinary shares of the Company (the “Shares”). The consideration for acceptance of the option was RMB0.1 per option. No further options will be granted under the Pre-IPO Scheme.

Movements of the options under the Pre-IPO Scheme for the six months ended 30 June 2008 are as follows:

Date of grant	Exercise price (RMB)	Number of options			Exercise period (Note 1)
		As at 01/01/2008	Cancelled during the period	As at 30/06/2008	
<b>DIRECTORS</b>					
Liu Jinlan	10 July 2007	1.56	3,200,000	—	3,200,000 (Note 3)
Li Zongzhou	10 July 2007	1.56	1,600,000	—	1,600,000 (Note 2)
<b>EMPLOYEES</b>					
In aggregate	Ranging from 4 July 2007 to 7 March 2008	1.56	13,760,000	(640,000)	13,120,000 (Note 2, 3)
			<b>18,560,000</b>	<b>(640,000)</b>	<b>17,920,000</b>

Notes:

- (1) The Pre-IPO Options are only exercisable six months after the Listing.
- (2) A Pre-IPO Options holder may exercise a maximum of 25% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the Pre-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Pre-IPO Options granted, up to eight years from the date on which the Pre-IPO Options are granted.

Pre-IPO Options granted to Li Zongzhou are exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above. Exercisable period of the Pre-IPO Options granted to employees of the Company and its subsidiaries (the “Group”) commences on 8 January 2009 and expires on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective date of grant of the option), also subject to the vesting requirement mentioned above.

## SHARE OPTION SCHEME (CONTINUED)

### Pre-IPO Share Option Scheme (continued)

Notes: (continued)

- (3) An exception to the vesting requirement mentioned in (2) above is that each of Liu Jinlan and an employee of the Company may exercise a maximum of 50% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the options. Subsequently, for every full year of continuous service with the Company, each of Liu Jinlan and the employee may exercise a maximum of another 25% of the total number of the options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Liu Jinlan and the employee are exercisable respectively from 8 January 2009 to 9 July 2015 and from 8 January 2009 to 3 July 2015, subject to the vesting requirement mentioned above.

### Post-IPO Share Option Scheme

Pursuant to the ordinary resolutions of the shareholders of the Company passed on 27 May 2008, the Company has adopted a share option scheme (the “Post-IPO Scheme”) whereby directors of the Company (“Directors”) may, at their discretion, invite any full time employee, Director or any person approved by the board of Directors (the “Board”) or shareholders of the Company to take up options which entitle them to subscribe for Shares. The share option scheme shall be valid and effective for a period of ten years ending on 7 July 2018. No share option has been granted under the Post-IPO Scheme up to the date of this report.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2008, no disclosure of interests of the Directors or chief executives 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 Securities and Futures Ordinance (the "SFO")) is required to be made, as the shares of the Company had not been listed on the Stock Exchange.

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Interests in the Company

Director	Long/Short position	Nature of interest	Number of shares held	Percentage of the issued share capital of the Company
Liu Jinlan	Long	Corporate interest, settlor of discretionary trusts, beneficiary of a trust and beneficial interests ( <i>Note 1</i> )	280,549,513	49.10%
Chen Xin	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust ( <i>Note 2</i> )	251,428,165	44.00%
Li Zongzhou	Long	Beneficial interests ( <i>Note 3</i> )	1,600,000	0.28%

## Other Information

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE (CONTINUED)

#### Interests in associated corporations

Director	Associated corporation	Long/ Short position	Nature of interest	Percentage of the issued share capital of the associated corporation
Chen Xin	Golden Bridge Int'l Advertising Holdings Limited ("Golden Bridge Advertising")	Long	Corporate interest, settlor of discretionary trust and beneficiary of a trust (Note 2)	100.00%
	Golden Bridge International Culture Limited ("Golden Bridge Culture")	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 2)	100.00%
	CTV Golden Bridge International Media Co., Ltd. ("CTV Media (Shanghai)")	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 2, 4)	99.40%
	Jiangsu Xinqiao Tongying Advertising and Broadcast Co., Ltd. ("Jiangsu Xinqiao")	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 2, 4)	100.00%
	Golden Bridge Advertising	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 1)	100.00%
Liu Jinlan	Golden Bridge Culture	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 1)	100.00%
	CTV Media (Shanghai)	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 1, 4)	99.40%
	Jiangsu Xinqiao	Long	Corporate interest, settlor of discretionary trusts and beneficiary of a trust (Note 1, 4)	100.00%

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE (CONTINUED)

### Interests in associated corporations (continued)

*Notes:*

- (1) Liu Jinlan is deemed to be interested in 280,549,513 Shares, (1) 203,941,513 Shares of which are directly held by Golden Bridge Culture, a wholly-owned subsidiary of Golden Bridge Advertising, which is wholly owned by CLH Holding Limited. CLH Holding Limited is wholly owned by Equity Trustee Limited as trustee of the CLH Trust, a discretionary trust set up by Chen Xin and Liu Jinlan for the benefit of Chen Xin, Liu Jinlan and charitable organisations approved and registered under the Ministry of Civil Affairs of the PRC; (2) 25,921,344 Shares of which are directly held by United Marine Enterprise Company Limited, a wholly-owned subsidiary of UME Holding Limited, which is wholly owned by Equity Trustee Limited as trustee of the UME Trust, a discretionary trust set up by Liu Jinlan for the benefit of the elder daughter of Chen Xin and Liu Jinlan; (3) 21,565,312 Shares of which are directly held by SinoMedia Investment Ltd ("SinoMedia Investment"), a wholly-owned subsidiary of DFS Management Limited which is wholly owned by Equity Trustee Limited as trustee of the DFS (No. 2) Trust, a discretionary trust set up by Liu Jinlan for the benefit of her mother and sister; (4) 3,200,000 Shares are the Shares which may be subscribed by Liu Jinlan upon her exercise of Pre-IPO Options granted to her under the Pre-IPO Scheme; and (5) 25,921,344 Shares were directly held by Merger Holding Service Company Limited, a wholly-owned subsidiary of MHS Holding Limited, which is wholly owned by Equity Trustee Limited as trustee of the MHS Trust, a discretionary trust set up by Chen Xin for the benefit of the younger daughter of Chen Xin and Liu Jinlan.
- (2) Chen Xin is deemed to be interested in 251,428,165 Shares, (1) 203,941,513 Shares of which are directly held by Golden Bridge Culture, a wholly-owned subsidiary of Golden Bridge Advertising, which is wholly owned by CLH Holding Limited. CLH Holding Limited is wholly owned by Equity Trustee Limited as trustee of the CLH Trust, a discretionary trust set up by Chen Xin and Liu Jinlan for the benefit of Chen Xin, Liu Jinlan and charitable organisations approved and registered under the Ministry of Civil Affairs of the PRC; and (2) 25,921,344 Shares of which are directly held by Merger Holding Service Company Limited, a wholly-owned subsidiary of MHS Holding Limited, which is wholly owned by Equity Trustee Limited as trustee of the MHS Trust, a discretionary trust set up by Chen Xin for the benefit of the younger daughter of Chen Xin and Liu Jinlan; and (3) 21,565,308 Shares of which are directly held by Digital Finance Service Company Limited, a wholly-owned subsidiary of DFS Holding Limited which is wholly owned by Equity Trustee Limited as trustee of the DFS (No. 1) Trust, a discretionary trust set up by Chen Xin for the benefit of his parents.
- (3) 1,600,000 Shares are the Shares which may be subscribed by Li Zongzhou upon his exercise of Pre-IPO Options granted to him under the Pre-IPO Scheme.
- (4) Jiangsu Xinqiao is wholly owned by CTV Media (Shanghai). CTV Media (Shanghai) is wholly owned by the Company.

Save as disclosed above, as at the date of this report, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, no disclosure of interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO is required to be made, as the shares of the Company had not been listed on the Stock Exchange.

As at the date of this report, so far as known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

<b>Shareholder</b>	<b>Long/ Short Position</b>	<b>Nature of Interests</b>	<b>Number of Shares</b>	<b>Percentage of the issued share capital of the Company</b>
Equity Trustee Limited	Long	Trustee ( <i>Note 1</i> )	298,914,821	52.32%
CLH Holding Limited	Long	Corporate interests ( <i>Note 1</i> )	203,941,513	35.69%
Golden Bridge Advertising	Long	Corporate interests ( <i>Note 1</i> )	203,941,513	35.69%
Golden Bridge Culture	Long	Beneficial interests	203,941,513	35.69%
Bain Capital CTVGB Holding L.P. ("Bain Holding")	Long	Corporate interests ( <i>Note 2</i> )	117,624,579	20.59%
Bain Capital CTVGB Holding Ltd. ("Bain Capital")	Long	Beneficial interests	117,624,579	20.59%

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)**

Notes:

- (1) Equity Trustee Limited is deemed to be interested in 298,914,821 Shares, being all the Shares directly held by Golden Bridge Culture, SinoMedia Investment, Merger Holding Service Company Limited, United Marine Enterprise Company Limited and Digital Finance Service Company Limited, as trustee of certain discretionary trusts. For further details, please also refer to notes (1) and (2) in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture."
- (2) Bain Holding is deemed to be interested in the 117,624,579 Shares directly held by Bain Capital, which is wholly owned by Bain Holding, which is in turn wholly owned by Bain Capital Fund IX, L.P., BCIP Associates III, LLC and BCIP Associates III-B, LLC.

Save as disclosed above, so far as known to the Directors and chief executive of the Company, as at the date of this report, there was no other person (other than a Director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO

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

Since the shares of the Company were not listed on the Stock Exchange during the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

### **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2008, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules was not applicable to the Company as the shares of the Company were only listed on the Stock Exchange on 8 July 2008.

However, none of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, for any part of the period between the date of the Listing to the date of this report, in due compliance with the Code.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 30 June 2008, the Model Code as set out in Appendix 10 of the Listing Rules was not applicable to the Company, as the shares of the Company were only listed on the Stock Exchange on 8 July 2008.

However, on 27 May 2008, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules. After making specific enquiry, all of the Directors have confirmed that they have complied with the required standard of dealings set out therein since the date of the Listing.

## Other Information

### AUDIT COMMITTEE

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2008, including the accounting principles and practices adopted by the Group.

On behalf of the Board  
**SinoMedia Holding Limited**  
**CHEN Xin**  
*Chairman*

Hong Kong, 17 September 2008