CTV 中视金桥

SINOMEDIA HOLDING LIMITED
中 視 金 橋 國 際 傳 媒 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 623)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL SUMMARY

RMB'000	**For the six months ended 30 June 2010**	For the six months ended 30 June 2009	**Change (%)**
Revenue	**599,339**	321,598	+86.4%
Profit from operations	**34,492**	5,929	+481.8%
Profit attributable to owners of the Company	**26,018**	12,358	+110.5%
Earnings per share *(RMB)*			
— Basic	**0.046**	0.022	+109.1%
— Diluted	**0.046**	0.022	+109.1%

Revenue by sales channels:

RMB'000	**For the six months ended 30 June 2010**	For the six months ended 30 June 2009	**Change (%)**
Advertising service	**596,038**	325,022	+83.4%
— CCTV	**590,249**	321,708	+83.5%
— Regional TV and others	**5,789**	3,314	+74.7%
Agency service	**9,538**	3,029	+214.9%
Sales taxes and surcharges	**(6,237)**	(6,453)	-3.3%
Revenue	**599,339**	321,598	+86.4%

The board of directors (the "Board") of SinoMedia Holding Limited ("SinoMedia" or the "Company") is pleased to announce the unaudited results and financial position of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, with comparative figures for previous year.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010
(Expressed in Renminbi)

		Unaudited	Unaudited
		Six months ended 30 June	
		2010	2009
	Notes	*RMB'000*	*RMB'000*
Revenue		**599,339**	321,598
Cost of services		**(528,896)**	(284,450)
Gross profit		**70,443**	37,148
Other income	*5*	**5,987**	4,663
Selling and marketing expenses		**(18,379)**	(15,043)
General and administration expenses		**(23,559)**	(20,839)
Profit from operations		**34,492**	5,929
Finance income		**4,284**	807
Finance costs		**(166)**	—
Net finance income		**4,118**	807
Share of loss of equity accounted investee (net of income tax)		**(443)**	(132)
Profit before income tax	*6*	**38,167**	6,604
Income tax expense	*7*	**(9,802)**	(1,152)
Profit for the period		**28,365**	5,452
Attributable to:			
Owners of the Company		**26,018**	12,358
Non-controlling interests		**2,347**	(6,906)
Profit for the period		**28,365**	5,452
Earnings per share	*8*		
Basic earnings per share *(RMB)*		**0.046**	0.022
Diluted earnings per share *(RMB)*		**0.046**	0.022

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010
(Expressed in Renminbi)

	Notes	**Unaudited At 30 June 2010 RMB'000**	Audited At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment		**56,842**	57,062
Investment in equity accounted investee		**141**	584
Other financial asset		**11,658**	11,031
Deferred tax assets		**8,713**	9,779
Total non-current assets		**77,354**	78,456
Current assets			
Trade and other receivables	*9*	**442,404**	515,466
Cash and cash equivalents		**502,849**	323,084
Total current assets		**945,253**	838,550
Total assets		**1,022,607**	917,006
Equity			
Share capital		**174**	173
Reserves		**746,216**	736,300
Equity attributable to owners of the Company		**746,390**	736,473
Non-controlling interests		**7,812**	5,465
Total equity		**754,202**	741,938
Non-current liabilities			
Other financial liability		**18,303**	18,155
Deferred tax liabilities		**2,599**	2,315
Total non-current liabilities		**20,902**	20,470

	Notes	Unaudited At 30 June 2010 RMB'000	Audited At 31 December 2009 RMB'000
Current liabilities			
Trade and other payables	*10*	**239,258**	134,917
Income tax payables		**8,245**	19,681
Total current liabilities		**247,503**	154,598
Total liabilities		**268,405**	175,068
Total equity and liabilities		**1,022,607**	917,006
Net current assets		**697,750**	683,952
Total assets less current liabilities		**775,104**	762,408

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010
(Expressed in Renminbi)

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cash generated from operations	**215,287**	89,839
Tax paid	**(19,889)**	(17,529)
Net cash from operating activities	**195,398**	72,310
Net cash used in investing activities	**(719)**	(1,694)
Net cash used in financing activities	**(14,426)**	(20,086)
Net increase in cash and cash equivalents	**180,253**	50,530
Cash and cash equivalents at 1 January	**323,084**	574,503
Effect of foreign exchange rates changes	**(488)**	(273)
Cash and cash equivalents at 30 June	**502,849**	624,760

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2 Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008) , Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Amendments to IFRS 5, Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary
- Amendments to IAS 39, Financial instruments: Recognition and measurement — eligible hedged items
- Improvements to IFRSs (2009)
- IFRIC 17, Distributions of non-cash assets to owners

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group early adopted IFRS 3 (revised 2008) and amendments to IAS 27 for business combinations occurring in the financial year starting 1 January 2009. The improvements to IFRSs (2009) have had no material impact on the Group's financial statements as the improvements were consistent with policies already adopted by the Group. The other developments have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

3 Segment reporting

In a manner consistent with the way in which information is reported internally to the CEO for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

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, utilisation rates are generally lower in the first half of the year, compared to the second half. On the other hand, cost of services consist primarily of the cost to purchase TV advertisement time from various advertisement resource providers, which is generally incurred ratably over the contract period, varying from one to five years. Gross profit and gross margin are therefore comparatively lower for the first half of a year.

5 Other income

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Government grant	**5,982**	4,663
Others	**5**	—
	5,987	4,663

6 Profit before income tax

Profit before taxation is arrived at after charging:

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation	**2,382**	1,759
Impairment losses on bad and doubtful accounts	**2,237**	—

7 Income tax expense

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax — PRC Income tax	**8,452**	7,909
Deferred taxation	**1,350**	(6,757)
	9,802	1,152

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 2010 and 2009.

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

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB26,018 thousand (six months ended 30 June 2009: RMB12,358 thousand) and the weighted average number of ordinary shares of 564,996,311 (2009: 564,310,400).

Profit attributable to ordinary equity shareholders

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**26,018**	12,358
Profit attributable to ordinary equity shareholders	**26,018**	12,358

Weighted average number of ordinary shares

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January	**564,310**	564,310
Effect of issues of ordinary shares under share option schemes	**686**	—
Weighted average number of ordinary shares at 30 June	**564,996**	564,310

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of RMB26,018 thousand (six months ended 30 June 2009: RMB12,358 thousand) and the weighted average number of ordinary shares of 567,262,406 (2009: 564,310,400).

Profit attributable to ordinary equity shareholders (diluted)

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders (basic and diluted)	**26,018**	12,358

Weighted average number of ordinary shares (diluted)

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	'000	*'000*
Weighted average number of ordinary shares (basic)	**564,996**	564,310
Effect of share options on issue	**2,266**	—
Weighted average number of ordinary shares (diluted) at 30 June	**567,262**	564,310

9 Trade and other receivables

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

	Unaudited	Audited
	At 30 June	At 31 December
	2010	2009
	RMB'000	*RMB'000*
Less than three months	**40,336**	32,713
Three months to six months	**5,990**	2,173
Six months to one year	**8,606**	18
More than one year	**4,395**	6,855
Trade debtors and bills receivables, net of impairment losses	**59,327**	41,759
Prepayments to media suppliers	**165,837**	146,899
Deposits	**202,701**	321,131
Advances to employees	**5,198**	4,116
Others	**9,341**	1,561
	442,404	515,466

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.

10 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	Unaudited At 30 June 2010 *RMB'000*	Audited At 31 December 2009 *RMB'000*
Due within 3 months or on demand	**39,305**	13,087
Due after 3 months but within 1 year	**5,987**	—
Total trade creditors	**45,292**	13,087
Advances from customers	**183,485**	110,875
Payroll and welfare expenses payables	**2,650**	2,367
Other compulsory payables	**1,948**	2,717
Other tax payables	**2,982**	2,500
Other payables and accrued charges	**2,885**	3,355
Dividends payable due to non-controlling interests of a subsidiary	**16**	16
	239,258	134,917

11 Dividends

(a) Dividends payable to owners of the Company attributable to the interim period

No dividend attributable to the interim period has been declared and paid by the Group.

(b) Dividends payable to owners of the Company attributable to the previous financial year approved and paid during the interim period

	Unaudited	Unaudited
	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid of approximately RMB3 cents per share (six months ended 30 June 2009 : approximately RMB4 cents per share)	**17,786**	22,386

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group had the exclusive underwriting rights to approximately 6,136 minutes of the advertisement time on China Central Television Station's CCTV-1/News Channel, CCTV-4 and CCTV-7, of which approximately 4,035 minutes were sold. The Group holds the exclusive underwriting rights to the advertisement time of all programmes on CCTV-NEWS (English international channel of CCTV). In addition, the Group has signed a cooperation agreement with Sohu Media, pursuant to which the Group serves as the exclusive agency to sell advertising resources on any webpage of www.sohu.com and www.chinaren.com (excluding advertisement space and webpages that Sohu Media has sold or outsourced to third parties) to clients related to city tourism and business promotion industry in China. The Group has also joined forces with its business partners to establish China's first and only national public service advertising broadcast network (百家電視台公益廣告聯播網), providing customers with all-rounded advertising services.

The Group seized the opportunity to participate in the "2010 CCTV Contracting Advertising Underwriting Rights Tender", and successfully acquired the exclusive underwriting rights to the advertisement time of five high quality programmes on CCTV-1/News Channel and CCTV-4.

The Group has the exclusive underwriting rights to the advertising resources of two high quality programmes on CCTV-1, namely "News 30 (新聞30分)" (CCTV-1/News Channel) and "Evening News (晚間新聞)". The advertisement time of each programme amounts to no less than 1.5 minute per day.

For CCTV-4, the Group has the exclusive underwriting rights to all programmes during the entire prime time from 20:00 to 22:00, including "Walk Through China (走遍中國)", "Across the Strait (海峽兩岸)" and "China News Package (中國新聞套)". The Group also holds the exclusive underwriting rights to the advertisement time of CCTV-4 "All-Day Package (全天時段套)" (effective from 1 March 2010), which is divided into six time slots per day. The total advertisement time amounts to about 14 minutes per day.

Through its subsidiary Beijing Golden Bridge Senmeng Media Advertising Co., Ltd, the Group holds the exclusive underwriting rights to all the advertising resources of seven programmes on CCTV-7, including "Zhi Fu Jing (致富經)," "Daily Agricultural News (每日農經)" and "Focus on the Three Agricultural Issues (聚焦三農)". During the period, the abovementioned advertising resources provided more than 3,100 minutes of advertisement time available for sale.

The Group also holds the exclusive underwriting rights (effective from 1 March 2010) to the advertising resources of all programmes on CCTV-NEWS (English international channel of CCTV, formerly known as CCTV-9). In 2010, CCTV-9 underwent a revamp designed to place stronger emphasis on its position as a news channel. Operating as a news channel that has full editorial independence, the 24-hour news channel leverages its global network of correspondents to provide hard-hitting coverage on the latest significant news developments around the world. The news channel is intended to become one of the world's most influential international news media platforms in two to three years.

The Group holds the underwriting rights to the advertising resources in nationwide public service advertising broadcast network, which covers 120 local TV channels and the advertisement time of each channel covers no less than 30 seconds of evening prime time. These advertising resources provide customers an opportunity to establish their brand and corporate image at a cost lower than the general TV commercial advertisements.

The Group enjoys the priority over renewing the contracts for the exclusive underwriting rights to the abovementioned advertising resources on CCTV-1 and CCTV-4 in 2011 and 2012. Meanwhile, the exclusive underwriting rights to the advertising resources of CCTV-7, effective from 1 January 2009, are valid for five years.

FINANCIAL REVIEW

Revenue and Profit Attributable to Owners of the Company

For the six months ended 30 June 2010, the Group recorded a revenue of RMB599,339 thousand, up 86% from RMB321,598 thousand for the same period of last year.

The combined revenue from CCTV-1 and CCTV-4 (prior to deduction of sales taxes and surcharges) for the first quarter and the second quarter this year amounted to RMB224,670 thousand and RMB300,122 thousand respectively. The relatively lower revenue recorded in the first quarter was mainly attributable to a few factors: (1) the first quarter is a traditional low season for the Group's advertising sales; (2) sales of the Group's CCTV advertising resources for the year 2010 only began after the CCTV tender had taken place in the end of November 2009, leading to the sales being started off later than usual, and this has weakened the effect of presale meant to boost sales in the low season; (3) in the early days after the acquisition of new underwriting rights to the advertising resources of a programme, the Group would need time to set out and adjust its sales strategies regarding its market position, product portfolio and selling prices, as well as developing new client base. As the Group has established its sales policies and stepped up sales efforts, its revenue has been growing steadily since March.

During the same period last year, CCTV-7 business was still in a start-up stage and sales were particularly slow in the first quarter. With the Group's year-long effort in nurturing the market and enhancing the sales strategies, coupled with a more sophisticated sales and management team, the advertising business of the channel has been improving and brings fruitful results in 2010. Moreover, consumer markets in counties and townships have expanded rapidly with the support of the favourable national agricultural policies, helping the Group to gain more customer recognition in the effectiveness of placing advertisements on CCTV-7. As a result, the sales of advertisement time on CCTV-7 increased significantly in 2010, with revenue up 96% from the same period last year.

For the six months ended 30 June 2010, the Group's profit attributable to owners of the Company was RMB26,018 thousand, up 111% from RMB12,358 thousand for the same period last year. The increase was attributable to the fact that sales revenue from CCTV-1 and CCTV-4 were in line with expectation, and the business with CCTV-7 has turned to profitability.

Operating Expenses

For the six months ended 30 June 2010, the Group's selling and marketing expenses grew by RMB3,336 thousand to RMB18,379 thousand, accounting for 3.1% of the Group's revenue (4.7% for the same period last year). Before provision for bad and doubtful debts, general and administration expenses increased by RMB483 thousand to RMB21,322 thousand, accounting for 3.6% of the Group's revenue (6.5% for the same period last year).

Despite the expansion in sales, operating expenses have not increased notably in amount compared with the same period last year, and the two types of expenses as a percentage of revenue have both declined. It reflected an improvement in the Group's marketing efficiency and management, notwithstanding the sharp increase in revenue.

Liquidity and Financial Resources

In light of the significant increase in purchasing cost resulting from the Group's efforts in acquiring high quality media resources, the Group has strengthened liquidity management to maintain adequate cash flow. During the period under review, net cash inflows from the Group's operating activities amounted to RMB195,398 thousand. At period end, the Group's cash and bank balances increased to RMB502,849 thousand, of which 93% was maintained in Renminbi and 7% in US dollar.

The Group has reinforced the management of receivables by imposing strict control over delayed payments for advertisements and stepping up its efforts in collecting receivables. As a result, while the Group's revenue has increased significantly year-on-year, its receivables remained at a relatively low level. As at the end of the review period, the Group's outstanding accounts receivables after provision for bad and doubtful debts amounted to RMB52,625 thousand with an accounts receivable turnover of 13 days, which was at the lowest industry level.

As at 30 June 2010, total assets of the Group amounted to RMB1,022,607 thousand, which were financed by equity attributable to owners of the Company of RMB746,390 thousand and non-controlling interests of RMB7,812 thousand. At period end, there was no bank borrowing or asset held under finance lease.

The liquidity and financial resources position as stated above demonstrates that the Group enjoys a relatively high level of financial security.

Human Resources

As at 30 June 2010, the Group had approximately 280 employees in total. We implement a remuneration policy that is competitive in the industry, and pay commissions to our sales people and discretionary bonus to other employees with reference to performance of the Group and individual employees. In order to align the interests of employees with those of shareholders, share options were granted to employees under the Company's share option schemes. Share options that have been granted and remained unexercised as at the end of the review period amounted to 16,172,000 units.

INDUSTRY AND GROUP OUTLOOK

In the first half of 2010, the economy maintained a satisfactory growth and China recorded a GDP growth of 10.3% year-on-year in the second quarter, although it was slightly lower when compared with the first quarter (11.9%). According to the latest statistics on advertising spending[1] compiled by CTR Market Research, an authoritative market research company, China's advertising market has started to recover from the global financial crisis. In the first quarter of the year, advertising expenditure increased drastically year-on-year by 22%. Advertising spending (based on listed prices) reached over RMB130 billion, marking a record high in recent years, while spending on TV advertisements was up 20%. Mr. Tian Tao, the Vice President of CTR said, "Improvement of the macro economy contributed to the 11.9% GDP growth of China in the first quarter, bringing the growth back to its pre-crisis level." During the review period, the Group's revenue growth has outpaced the TV advertising industry, indicating that the Group has further expanded its market share.

During the first half of 2010, new sales and marketing measures, such as cross-media sales and marketing and product placement marketing, were increasingly adopted in corporate advertising in China. Internet TV advertising is also attracting growing attention. The Board and management of the Group will seek to safeguard and solidify the position of SinoMedia as a leading advertising operator in the mainstream media, and strive to obtain larger advertising budget from customers by enhancing its ability to offer comprehensive advertising services and further strengthening its relationship with customers. The Group will also step up its efforts in the strategic planning for the new media and internet advertising services in accordance with market demands.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2010, the Company had complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

1 Source: CTR Market Research Co., Ltd.; May 2010

AUDIT COMMITTEE

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010, including the accounting principles and practices adopted by the Group.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 26 August 2010

As at the date of this announcement, the Board comprises Mr. Chen Xin, Ms. Liu Jinlan and Mr. Li Zongzhou as executive directors, Mr. Zhu Jia and Mr. Huang Jingsheng as non-executive directors and Mr. Ding Junjie, Mr. Qi Daqing and Mr. Chen Tianqiao as independent non-executive directors.