SinoMedia®

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 2013

FINANCIAL SUMMARY

RMB'000	**For the six months ended 30 June 2013**	For the six months ended 30 June 2012	**Change (%)**
Revenue	**863,921**	700,742	+23%
Profit from operations	**239,796**	107,771	+123%
Profit attributable to equity shareholders of the Company	**170,310**	79,049	+115%
Earnings per share *(RMB)*			
— Basic	**0.306**	0.142	+115%
— Diluted	**0.296**	0.139	+113%

Revenue:

RMB'000	**For the six months ended 30 June 2013**	For the six months ended 30 June 2012	**Change (%)**
Media resources management	**833,289**	670,813	+24%
Integrated brand communication services	**17,966**	29,107	-38%
Creative production of advertisement and content	**14,661**	7,464	+96%
Rental income	**13,289**	96	+13,743%
Others	**—**	80	-100%
Sales taxes and surcharges	**(15,284)**	(6,818)	+124%
Revenue	**863,921**	700,742	

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 (collectively the "**Group**") for the six months ended 30 June 2013, with comparative figures for previous period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Unaudited	Unaudited
		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue		**863,921**	700,742
Cost of services		**(560,797)**	(540,806)
Gross profit		**303,124**	159,936
Other income		**30,422**	14,016
Selling and marketing expenses		**(31,700)**	(20,026)
General and administrative expenses		**(62,050)**	(46,155)
Profit from operations		**239,796**	107,771
Finance income	*5(a)*	**11,661**	9,215
Finance costs	*5(a)*	**(330)**	(2,062)
Net finance income		**11,331**	7,153
Share of gain of associates		**114**	1,443
Profit before taxation		**251,241**	116,367
Income tax	*6*	**(79,350)**	(36,200)
Profit for the period		**171,891**	80,167
Attributable to:			
Equity shareholders of the Company		**170,310**	79,049
Non-controlling interests		**1,581**	1,118
Profit for the period		**171,891**	80,167
Earnings per share	*7*		
Basic earnings per share *(RMB)*		**0.306**	0.142
Diluted earnings per share *(RMB)*		**0.296**	0.139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	**Unaudited At 30 June 2013 RMB'000**	Audited At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	8	**231,638**	53,253
Investment property	8	**687,867**	3,766
Prepayments		**22,869**	792,869
Interest in associates		**48,342**	48,086
Other non-current financial assets		**23,504**	24,339
Trade and other receivables	9	**1,300**	—
Deferred tax assets		**4,463**	5,146
		1,019,983	927,459
Current assets			
Trade and other receivables	9	**644,059**	468,945
Cash and cash equivalents		**1,164,275**	1,442,752
		1,808,334	1,911,697
Current liabilities			
Trade and other payables	10	**1,459,392**	1,501,348
Current taxation		**61,044**	91,666
		1,520,436	1,593,014
Net current assets		**287,898**	318,683
Total assets less current liabilities		**1,307,881**	1,246,142
Non-current liabilities			
Other non-current financial liability		**12,489**	12,442
Deferred tax liability		**7,351**	—
		19,840	12,442
NET ASSETS		**1,288,041**	1,233,700

	Unaudited At 30 June 2013 *RMB'000*	Audited At 31 December 2012 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**172**	171
Reserves	**1,277,346**	1,224,542
Total equity attributable to equity shareholders of the Company	**1,277,518**	1,224,713
Non-controlling interests	**10,523**	8,987
TOTAL EQUITY	**1,288,041**	1,233,700

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Unaudited	Unaudited
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Cash (used in)/generated from operations	**(237,922)**	446,728
Tax paid	**(101,938)**	(51,038)
Net cash (used in)/generated from operating activities	**(339,860)**	395,690
Net cash generated from/(used in) investing activities	**179,791**	(15,899)
Net cash used in financing activities	**(119,272)**	(95,639)
Net (decrease)/increase in cash and cash equivalents	**(279,341)**	284,152
Cash and cash equivalents at 1 January	**1,442,752**	913,179
Effect of foreign exchange rates changes	**864**	813
Cash and cash equivalents at 30 June	**1,164,275**	1,198,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") 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 "**Stock Exchange**").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 a number of new IFRSs and amendment to IFRS 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:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7— *Disclosures — Offsetting financial assets and financial liabilities*

The Group has made an assessment and judgment of what the impact of these amendments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a material impact on the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management 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 entire year. Gross profit and gross margin are therefore comparatively lower for the first half of a year.

5 Profit before taxation

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

(a) Finance income and costs

		Unaudited	Unaudited
		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Interest income on bank deposits		**11,399**	9,215
Changes in fair value of derivative financial instruments	(i)	**180**	—
Net foreign exchange gain		**82**	—
Finance income		**11,661**	9,215
Changes in fair value of derivative financial instruments	(i)	**(310)**	(690)
Net foreign exchange loss		**—**	(1,349)
Others		**(20)**	(23)
Finance costs		**(330)**	(2,062)
Net finance income		**11,331**	7,153

(i) It represents the change in fair value of derivative financial assets in relation to certain rights of Group to (a) acquire additional equity interests, (b) convert the shares held by the Group from one class to another, and (c) request for the redemption of its shares in associates under certain conditions.

It also includes the change in the present value of the expected consideration to be paid for the acquisition by the Group of remaining equity interest in a non-wholly owned subsidiary.

(b) Other items

	Unaudited	Unaudited
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Depreciation	**10,970**	3,839
Impairment losses on bad and doubtful accounts	**9,759**	1,490
Impairment losses on associate	**—**	6,916

6 Income tax

	Unaudited	Unaudited
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current tax — PRC income tax	**71,316**	30,877
Deferred taxation	**8,034**	5,323
	79,350	36,200

No provision has been made for Hong Kong profits tax as the Company and its overseas subsidiary did not have assessable profit subject to Hong Kong profits tax for the six months ended 30 June 2013 and 2012.

Pursuant to the currently applicable income tax rules and the PRC regulations, the Group's entities in the PRC were liable to the PRC Corporate Income Tax at a rate of 25% during the six months ended 30 June 2013 (six months ended 30 June 2012: 25%).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB170,310 thousand (six months ended 30 June 2012: RMB79,049 thousand) and the weighted average number of ordinary shares of 555,755,368 (2012: 557,258,011 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB170,310 thousand (six months ended 30 June 2012: RMB79,049 thousand) and the weighted average number of ordinary shares of 574,481,246 (2012: 570,661,382 shares).

8 Property, plant and equipment and investment property

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB185,646 thousand (six months ended 30 June 2012: RMB1,524 thousand) and acquired items of investment property with a cost of RMB690,296 thousand (six months ended 30 June 2012: nil). Items of property, plant and equipment with a net book value of RMB2,486 thousand were disposed during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB261 thousand), resulting in a loss on disposal of RMB64 thousand (six months ended 30 June 2012: a gain on disposal of RMB193 thousand).

9 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) is as follows:

	Unaudited At 30 June 2013 *RMB'000*	Audited At 31 December 2012 *RMB'000*
Non-current assets		
Trade and other receivables	**1,300**	—
Current assets		
Within 3 months	**156,917**	84,391
3 to 6 months	**37,774**	23,512
6 to 12 months	**12,011**	3,390
Over 12 months	**64,389**	62,686
Total trade and bills receivable	**271,091**	173,979
Less: allowance for doubtful debts	**(73,388)**	(65,129)
Trade and bills receivable, net of allowance for doubtful debts	**197,703**	108,850
Prepayments and deposits to media suppliers	**371,214**	308,047
Advances to employees	**9,595**	4,474
Other debtors and prepayments	**71,521**	52,238
Less: allowance for doubtful debts of other debtors	**(6,164)**	(4,664)
Interest receivables	**190**	—
	644,059	468,945
	645,359	468,945

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

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) is as follows:

	Unaudited At 30 June 2013 *RMB'000*	Audited At 31 December 2012 *RMB'000*
Due within 3 months or on demand	**380,921**	406,901
Due after 3 months but within 6 months	**267,357**	116,532
Due after 6 months but within 12 months	**129,894**	642,339
Total trade payables	**778,172**	1,165,772
Advances from customers	**369,945**	308,380
Payroll and welfare expenses payables	**15,266**	17,302
Other tax payables	**9,524**	4,708
Other payables and accrued charges	**285,389**	4,135
Dividends payable due to non-controlling interests of a subsidiary	**1,096**	1,051
	1,459,392	1,501,348

11 Dividends

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

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

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

	Unaudited	Unaudited
	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, paid of approximately RMB10.9 cents per share (six months ended 30 June 2012: approximately RMB8.6 cents per share)	**59,726**	48,273
Special dividend in respect of the previous financial year, paid of approximately RMB10.9 cents per share (six months ended 30 June 2012: approximately RMB8.6 cents per share)	**59,726**	48,273
	119,452	96,546

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

In the first half of 2013, China's economy experienced a slowdown in growth caused by the domestic and overseas economic landscape as well as the structural adjustments to the economy. Nevertheless, the media advertising industry, and the TV advertising market in particular, experienced an upturn from the corresponding period last year. The Group once again set an example for the industry with a brilliant performance achieved in the midst of the positive momentum, and our core businesses recorded substantial profit increases driven by remarkable revenue growth.

As the Group strove to develop content creation and new media platform to support our long-term growth, we spared no effort in cultivating our integrated brand communication services business to enhance our brand influence in customer service. Meanwhile, we further consolidated our notable market advantage in managing resources for China Central Television ("CCTV") and other core media. In face of various challenges posed by the unpredictable market and frequently varying customer appetites, we further enhanced our professional capabilities in the media services domain.

With regard to management, the Group emphasised attracting new talent and building teams, whilst continuing to exercise stringent control over internal workflows. Property management work for The Place — Golden Bridge Tower (金橋天階大廈), including renovation and leasing, has been executed on schedule. As a leading media corporation in China, SinoMedia's corporate management system matured progressively.

BUSINESS OVERVIEW

I. Media Resources Management

As an operator of the longest business relationship, an abundance of underwriting resources, and wide-ranging forms of partnership with CCTV, the Group won the CCTV Top Ten Advertising Agencies award for the seventh consecutive year and, once again earned the CCTV Outstanding Achievement Award for Advertising Agency during the period under review. The awards not only reflected our capacity, but also highlighted our professionalism and reputation in media resources management, with CCTV as our core media resources.

During the period under review, the Group renewed its current exclusive underwriting contracts, which provides a precondition for maintaining our considerable market share in media resources management for CCTV. The Group had approximately 19,607 minutes of advertising time resources on a total of 50 programmes on channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-4 (Chinese International, including Europe and the US), CCTV-5 (Sports), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English) across a variety of programming including news, current affairs, agriculture, culture, arts, sports, life, feature programmes, and other topics. Our specific media resources include the "Night News" (晚間新聞) on CCTV-1 (General), "News 30" (新聞30分) jointly broadcast on CCTV-1 (General)/CCTV-News (Chinese), "China News" (中國新聞), "Today's Highlight" (今日關

注), “Across the Straits” (海峽兩岸),“Exposition of Chinese Cultural Relics” (國寶檔案) and “China Showbiz” (中國文藝) on CCTV-4 (Chinese International, including Europe and the US), “Weather Forecast” during “Sports News” programmes on CCTV-5 (Sports), programmes including “Zhi Fu Jing” (致富經), “Focus on the Three Agricultural Issues” (聚焦三農), “Daily Agricultural News” (每日農經), and “The Rural World” (鄉村大世界) on CCTV-7 (Military and Agriculture), and all programmes on CCTV-NEWS (English).

In addition to sufficient capital input to acquire resources and a team of decisive marketing personnel, the competent management of a diversified customer base is crucial to operating the exclusively-underwritten CCTV resources. During the period under review, the Group reaped the benefits of long-term relationship-building with clients from various industries. We achieved steady growth in clients from the tourism and business-inviting sectors, whilst also successfully attracting a number of small and medium corporate clients. We also made breakthroughs in the tea and health-care product industries. In addition, the strategic modification of the Group’s media products based on market feedback has contributed to maintaining our leading position in face of various economic and market uncertainties.

II. Integrated Brand Communication Services

Integrated brand communication services are critical to enhancing the Group’s customer-service capacity. Our focused efforts in this sector have paid off in terms of market recognition and influence of the brand name SinoMedia.

Centred on customer service, our integrated brand communication services business delivered comprehensive, full-dimensional services. We worked with clients to formulate branding strategies and subsequently assist them in developing various communication solutions, including brand management, product positioning, communication strategy, media procurement, advertisement placement monitoring, advertising outcome evaluation, and below-the-line public relations that covered the various media platforms including video on TV and new media, broadcasting, and print media.

In addition, the Group continued to cooperate with MediaCorp of Singapore and the US financial TV station CNBC. We also achieved remarkable success in developing dynamic partnerships with other domestic and overseas media corporations.

During the period under review, the Group continued to provide services to the People’s Insurance Company of China (PICC), China Ping An Insurance Group, Shangpintang Ocean Biology Company, King’s Luck Brewery Company, and Suning Appliance Company. We were also newly engaged by the Postal Savings Bank of China to provide 2012–2013 brand-management consulting, focusing on communication strategy, media plan, media buying of CCTV, and public relations services; China Life Insurance Company for 2012–2013 media advertising agency business; and Shanghai Pudong Development Bank for local TV station resources procurement. The Group also offered integrated communication services to a number of clients from the tourism and business invitation sectors, such as Guizhou Province and Tianjin in China.

III. Creative Production of Advertisement and Content; New Media Investment and Integration

In view of the complex situation facing the media industry, the development of various media platforms and terminals changes the custom in which audiences come into contact with media. Meanwhile, "content" is becoming more and more important amidst the complex environment filled with mass information. The Group capitalised precisely on these development trends. In tandem with the "tri-network integration" stimulation policy, we implemented a strategic deployment plan of "content + media platforms" to support the Group's long-term development and upstream businesses in the media industry. This segment advanced steadily during the period under review.

1. Creative production services for commercial and public service advertisements

During the period under review, the Group's video productions included tourism and business promotional videos for areas including Jinhua, Zhejiang, Changzhou, Jiangsu, Manchuria, Yubei District in Chongqing, Linyi, Shandong, and the Leshan Giant Buddha in Sichuan. In addition, we produced commercials, including "Nature" (生態篇) for Sujiu Industry Shares Limited, promotional videos for the Agricultural Bank of China and the Everbright Group, and TV commercials and print advertisements for Origin Water Technology Company.

2. Integration, production, and distribution of programme content

After an all-out planning effort, the "Video Department" of the Group's non-advertising business segment began to take shape during the period under review, consolidating nearly 10,000 minutes of local and foreign non-copyrighted programming. Based on the requirements of different media platforms, we successfully produced a rich variety of programmes, including micro films and feature series.

The Group also explored the research and development of original programmes. During the period under review, we completed the research and development, creative production and broadcast negotiations of its first lifestyle feature TV programme with copyrights.

3. New media investment and integration

New media investment and integration is focused on various media platforms built by the Group or in which the Group holds a controlling or participating interest. We have invested in different categories of projects: websites — Boosj.com (播視網), Wugu.com.cn (吾谷網), and Lotour.com (樂途網); a digital TV channel — Super Channel (環球奇觀); and mobile terminal TV channels — CNLive.com (視訊中國) and 100TV.

During the period under review, the Group prioritised cultivating the projects newly accomplished last year. It modified the positioning and the structure of Boosj.com to ensure its integrated development, imported a large number of new programmes for Super Channel to support its smooth content transition, and rolled out a series of below-the-line marketing events to boost the brand influence of Wugu.com.cn. Other projects completed earlier also made good progress.

At a time when opportunities abound, the Group will pay attention to the healthy development of its media platforms. We will integrate them when appropriate and conduct a full assessment of the growth potential of each project for breakthroughs.

FINANCIAL REVIEW

Revenue and Profit Attributable to the Equity Shareholders of the Company

For the six months ended 30 June 2013, the Group recorded revenue of RMB863,921 thousand, representing an increase of 23% over RMB700,742 thousand for the same period last year.

Revenue details are as follows:

I. Media resources management revenue, before sales tax and surcharge deductions, was RMB833,289 thousand, up 24% over RMB670,813 thousand for the same period last year. The increase in revenue from this business was attributable to the Group's effective control over of the pace of sales and enhanced promotional efforts for advertising resources. The Group offered a diversified media product portfolio to accommodate the various advertising and promotional campaigns for our clients, whilst also striving to develop potential clients. These efforts contributed to a satisfactory year-on-year growth in the sales of core advertising resources in terms of increases in minutes sold, average sales rate, and average selling price.

II. Integrated brand communication services turnover, before sales tax and surcharge deductions, was RMB613,318 thousand, representing a slight decrease of 3% from RMB632,290 thousand for the same period last year. Under the International Accounting Standards, the Group's revenue is recognised as net commissions, with relevant procurement costs deducted from turnover if the Group procures media resources in the capacity of an agent for clients. On this basis, revenue from this business was RMB17,966 thousand, a drop of 38% from RMB29,107 thousand for the same period last year. The decrease in revenue was due mainly to a lag in the confirmation of media accounts settlement. Commission income receivable from TV stations in 2013 will not be recognised until the second half of the year, while the commission income received in 2012 was recognised in the first half of last year, resulting in a higher base for the same period last year. Given existing signed client contracts, it is expected that turnover and revenue from this business will resume its growth momentum in the second half of the year. The Group will continue to exert significant effort in brand building, enhance our professional service capacity, and expand the scale of our business. Our aim is to increase this business segment's contribution to the Group's overall revenue, thereby achieving a balanced development of our business structure.

III. Revenue recorded from the creative production of advertisement and content, before sales tax and surcharge deductions, was RMB14,661 thousand, representing a growth of 96% over RMB7,464 thousand for the same period last year. Revenue from this business primarily involved commercial advertisement production and the production and distribution of promotional videos by the nationwide public service advertising broadcast network. This business continued its good development during the period, with further enhancements to our creative service capacity and continuing increases in its revenue contribution.

As the overall revenue and gross profit margin of the above core businesses achieved remarkable growth over the same period last year, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2013 totalled RMB170,310 thousand, representing a substantial increase of 115% over RMB79,049 thousand for the same period last year.

Operating Expenses

For the six months ended 30 June 2013, the Group's total operating expenses were RMB93,750 thousand, representing an increase of RMB27,569 thousand over the same period last year, and accounting for 10.9% of revenue (compared to 9.4% for the same period last year).

Operating expenses included the followings:

I. Selling and marketing expenses totalled RMB31,700 thousand, showing an increase of approximately RMB11,674 thousand over RMB20,026 thousand for the same period last year, accounting for 3.7% of revenue (2.9% for the same period last year). The increase in selling and marketing expenses was due primarily to the fact that:

   (1) In line with the significant increase in revenue, variable labour costs, such as performance-based payroll for marketing personnel, rose by approximately RMB6,773 thousand;

   (2) In order to strengthen our exchanges and collaboration with local and international clients, the Group took part in a number of brand-building and media promotion events, which included actively participating in the China National Tourism Fair 2013, convening various VIP customer forums in China, and successfully holding the CCTV International Channels Assembly 2013 in Hong Kong. These events extended the brand influence of the Group and promoted its products and services. In addition, we specifically engaged professional market and industry research organisations to facilitate the Group's effective client development, maintain customer loyalty, and make informed analyses and judgments on the market and industry trends of individual client sectors. As a result, expenses such as business promotion expenses and consultation fees rose by approximately RMB3,180 thousand over the same period last year.

II. General and administrative expenses totalled RMB62,050 thousand, representing an increase of approximately RMB15,895 thousand over RMB46,155 thousand last year, and accounted for 7.2% of revenue (compared to 6.5% for the same period last year). The increase in general and administrative expenses arose mainly from:

(1) To meet the demand for talent to support SinoMedia's group development and the advancement of our new businesses, we placed increased emphasis on attracting talent and employed senior management staff and professional personnel in certain departments. Also, we continued to provide compensation and benefits to our internal staff as the incentive to pursue career growth. Accordingly, labour costs, including staff payroll, increased by approximately RMB8,318 thousand. In addition, expenses such as leasing and property fees and office expenses rose by approximately RMB2,553 thousand, in tandem with an increase in office space;

(2) To support our long-term business development, the Group acquired certain office premises at the end of last year. Relocation will take place during the second half of this year. Depreciation expenses and related tax charges for the new property were approximately RMB2,342 thousand in the first half of 2013;

(3) The Group conducted a comprehensive assessment and analysis of the collectability of trade receivables and the corporate value of equity investments, and made prudent and appropriate provisions accordingly. During the period under review, provision for impairment losses on trade receivables increased by approximately RMB8,269 thousand compared to the same period last year. Equity investments showed no evidence of impairment during the period. Provision for impairment on long-term investments decreased by approximately RMB6,916 thousand compared to the same period last year. Provision for impairment losses on trade receivables and impairment of long-term investments increased by a total of approximately RMB1,353 thousand compared to the same period last year.

Operating expenses accounted for a slightly higher percentage of revenue compared to the same period last year, but were anticipated and under our control. The Group will continue to strengthen our internal cost controls and further optimise our overall budgetary control system across all departments, to continue improving the operating profit margin.

Significant Investments, Acquisitions, and Disposals

In December 2012, the Group entered into a framework agreement with an independent third party to acquire certain office premises located in the Tianjie Building, which is situated at 9 Guanghua Road, Chaoyang District, Beijing. Meanwhile, the Group terminated the acquisition of the property at 12 Dongdaqiao Road in the same district. During the six months ended 30 June 2013, the Group received a full refund of RMB230 million for the Dongdaqiao Road property project. Pursuant to the requirements of the framework agreement, we have paid the second installment of approximately RMB41 million for the acquisition of the Tianjie Building. The renaming of the Tianjie Building and other follow-up matters on this project are expected to be completed in the second half of this year.

Liquidity and Financial Resources

The Group maintained a strong financial position and adequate liquidity, and strictly controlled our financial risk in order to safeguard the interests of our shareholders.

As of 30 June 2013, the Group's cash and bank balances totalled RMB1,164,275 thousand (31 December 2012: RMB1,442,752 thousand), of which approximately 95% was denominated in Renminbi and the remaining 5% in US dollars and other currencies.

During the period under review, details of the Group's cash flows status were as follows:

I. Net cash outflow from operating activities totalled RMB339,860 thousand (net cash inflow of RMB395,690 thousand for the same period last year). The outflow was mainly attributable to: (1) a notable increase in trade receivables still within credit periods as a result of an increase in revenue during the period under review. As of the end of the period, trade receivables (excluding bills receivable and net of allowance for doubtful debts) totalled RMB181,054 thousand (31 December 2012: RMB86,451 thousand); and (2) the gradual repayment to media suppliers of outstanding media agency costs for prior years, which led to a decrease in trade payables from RMB1,165,772 thousand at the end of last year to RMB778,172 thousand by the end of the period under review. The Group will continue to exercise stringent control over the collection of overdue receivables. We will further optimise our internal procedures for collecting trade receivables to ensure a healthy liquidity position.

II. Net cash inflow from investing activities totalled RMB179,791 thousand (net cash outflow of RMB15,899 thousand for the same period last year). Please refer to the section "Significant Investments, Acquisitions, and Disposals" above for the major reasons.

III. Net cash outflow from financing activities totalled RMB119,272 thousand (net cash outflow of RMB95,639 thousand for the same period last year), which arose mainly from the payment of final and special dividends for 2012.

Taking into account the above factors, our cash and bank balances decreased by approximately RMB278,477 thousand compared to the end of last year. The Group currently maintains cash and bank balances at a healthy level that can adequately meet our short-term and mid-term liquidity requirements.

As of 30 June 2013, the Group's total assets amounted to RMB2,828,317 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,277,518 thousand and non-controlling interests of RMB10,523 thousand. As of the end of the period, the Group had no bank loans.

The majority of the Group's revenues, expenses, and capital investments were denominated in RMB.

Human Resources

As of 30 June 2013, the Group had a total of about 420 employees, which approximates the number at the beginning of the year. We have implemented a remuneration policy that is competitive in the industry, and offer commissions and discretionary bonuses to our sales personnel and other employees in accordance to the Group's performance and the performance and experience of individual employees. Meanwhile, we also provide employees with benefits such as insurance and medical check-ups in order to maintain our competitiveness in the labour market. The Group offers various training courses and seminars for our employees, with a view to enhancing their knowledge and skills. In addition, in order to align the personal interests of employees with those of shareholders, share options are granted to employees under the Company's share option schemes. Share options that were granted but remained unexercised as of the end of the period totalled 36,911,500 units.

INDUSTRY AND GROUP OUTLOOK

China's macro economy in the first quarter of 2013 was back on the upturn. The overall budget for the media advertising industry increased once again. According to statistics published by CTR Market Research, an authoritative research institution, the traditional media advertising market recorded a 10% growth rate during the first quarter of 2013, an improvement over the same period last year. TV media trumped all others and rebounded significantly.

China's gross domestic product growth continued its downward trend and achieved year-on-year growth of 7.6% in the first half of 2013. Many industries have made pessimistic forecasts regarding the prospects for the second half of 2013. Taking into account the macro economy, policy directions, industry attitudes, customer feedback, and other factors, the Group remains cautious about the economic and market environment for the second half of the year and the coming year. The Group will closely monitor the situation and continue to leverage on its competitive edge to respond to any changes in a timely manner. Meanwhile, it remains prudently optimistic about achieving its targets of this year.

The Group is convinced that, in our media advertising industry, video advertisements will continue to be the primary focus, with a particular desire for high-quality, authoritative, and exclusive content and resources. In addition, the interconnection of TV and multimedia has created a trend of hybrid communication that not only increases the value of TV media, but also enhances the effectiveness of advertising from the perspective of our customers.

In view of the above, in the second half of the year the Group will leverage the advantages of its media resources, cater to market needs, work out more popular media products and explore more communication channels to provide choices for clients, in order to keep up our growth momentum. With respect to building clientele, the Group will focus on enhancing customer loyalty with our strategic services and expertise, increasing market share, and emphasising the power of brand influence and professionalism. For emerging business segments in their developmental stages, we will increase our investment in media platform construction and creative content production, and stick to our development approach after fully taking stock of market prospects and the economic environment.

We believe that economic structural adjustments will create new opportunities for the long-term development of China's economy. The Group's Board of Directors, management, and entire staff will persevere to meet such opportunities and overcome the challenges with our unremitting sense of responsibility and organisation skills, in order to generate handsome returns for investors.

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

During the six months ended 30 June 2013, 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 2013, the Company had complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for the deviation from code provision A.6.7.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Ding Junjie, Mr. Qi Daqing, and Mr. Lian Yuming, being independent non-executive directors of the Company, were not present at the annual general meeting of the Company held on 23 May 2013.

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, all the directors of the Company confirmed that they complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited consolidated financial statements and the interim report for the six months ended 30 June 2013, including the accounting principles and practices adopted by the Group.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 22 August 2013

As at the date of this announcement, the Board comprises Mr. Chen Xin, Ms. Liu Jinlan and Mr. Li Zongzhou as executive directors, Mr. He Hui David as non-executive director, and Mr. Ding Junjie, Mr. Qi Daqing, Mr. Lian Yuming and Ms. Wang Xin as independent non-executive directors.