

2012

INTERIM REPORT

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Zhu Jia
Mr. He Hui David

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ding Junjie
Mr. Qi Daqing
Mr. Lian Yuming
Ms. Wang Xin

AUDIT COMMITTEE

Mr. Qi Daqing (*Chairman*)
Mr. Ding Junjie
Mr. He Hui David

REMUNERATION COMMITTEE

Mr. Chen Xin (*Chairman*)
Mr. Ding Junjie
Mr. Lian Yuming

COMPLIANCE COMMITTEE

Mr. Li Zongzhou (*Chairman*)
Mr. Chan Oi Nin Derek

COMPANY SECRETARY

Mr. Chan Oi Nin Derek

AUTHORISED REPRESENTATIVES

Mr. Chen Xin
Mr. Chan Oi Nin Derek

REGISTERED OFFICE OF THE COMPANY

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CORPORATE HEADQUARTERS

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AUDITORS

KPMG

SHARE REGISTRAR

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INVESTOR RELATIONS CONSULTANT

iPR Ogilvy Ltd.

WEBSITE

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Financial Summary

<i>RMB'000</i>	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Change (%)
Revenue	700,742	719,939	-3%
Profit from operations	107,771	107,853	—
Profit attributable to equity shareholders of the Company	79,049	72,708	+9%
Earnings per share (RMB)			
— Basic	0.142	0.128	+11%
— Diluted	0.139	0.127	+9%

Revenue:

<i>RMB'000</i>	For the six months ended 30 June 2012	For the six months ended 30 June 2011	Change (%)
Media resources management	670,813	721,941	-7%
Integrated brand communication services	29,107	6,603	+341%
Creative production of advertisement and content	7,464	5,070	+47%
Others	176	—	N/A
Sales taxes and surcharges	(6,818)	(13,675)	-50%
Revenue	700,742	719,939	-3%

Management Discussion and Analysis

ABOUT THE GROUP

The consolidation of China's media advertising industry is speeding up, which has permeated technical areas such as campaign strategy and creativity, and even strategic aspects such as industry value chain integration. In the first half of 2012, the Group actively promoted strategic expansion to achieve long-term development, accommodating industry trends by satisfying customer demand and leveraging its media competitive edge and capital strength.

While continuing to consolidate its market share of China Central Television (“**CCTV**”) and other core media resources, the Group has focused on fostering and expanding integrated brand communication services and, through investments in vertical portals and digital television channel, integrating television, the Internet and mobile terminals to achieve simultaneous development and separate breakthroughs, moving from the midstream towards the upstream and downstream of the media industry value chain.

With regard to management, the Group has started up its group operations and further defined four core businesses — media resources management, integrated brand communication services, creative production of advertisement and content, and new media investment and integration. The Group is devoting itself to developing from a media advertising agency into a leading media corporation with video media management as its core business.

BUSINESS OVERVIEW

I. Media resources management

In media resources management, the Group is one of the leading operators for CCTV in terms of the longest partnership, an abundance of underwriting resources, its partnership model and the scale of its operations, and has won the CCTV Top Ten Advertising Agencies award and the CCTV Outstanding Achievement Award for an Advertising Agency for consecutive years. Leveraging over twelve years of cooperation with CCTV, a diversified customer base, plentiful working capital and an experienced management team, the Group continues to enjoy notable advantages in media resources management.

During the period under review, the Group renewed its current exclusive underwriting contracts and acquired additional exclusive underwriting rights, which consolidated and strengthened the Group's position as a leading exclusive underwriter of CCTV's program advertisements. The Group had approximately 19,814 minutes of advertising time resources on a total of 47 programs 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). Its specific advertising resources include the “Night News (晚間新聞)” on CCTV-1 (General), “News 30” (新聞30分) jointly broadcasted on CCTV-1 (General)/CCTV-News (Chinese), “China News” (中國新聞), “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” programs on CCTV-5 (Sports), programs 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 programs on CCTV-NEWS (English).

II. Integrated Brand Communication Services

Integrated brand communication services is the Group's current and future focus. The Group offers a full-range media campaign by consolidating the client's brand communication needs and is responsible for media procurement and execution. Covering TV, the Internet and mobile Internet, radio, print and outdoor media, the Group offers "one-stop" three-dimensional media services including demand positioning, strategy formulation, negotiation and procurement, placement monitoring and outcome evaluation.

The Group continues to cooperate with MediaCorp of Singapore and the US financial TV station CNBC, building a new global television network resources communication platform to promote the influence of Chinese brands around the world.

After previously obtaining the omni-media procurement services business for China Life Insurance Company, the Postal Savings Bank of China, and the People's Insurance Company of China for 2011-2012, during the period under review the Group was engaged by China Construction Bank Corporation, Guangzhou Wanglaoji Health Industry Company and the Nanjing Procurement Center of Suning Appliance Company for its TV advertising placement and service agency business. The Group also entered into an annual brand management and consultancy agreement with Jingmen City Tourism Bureau of Hubei Province to provide of a series of brand management and brand communication services including communication strategy, brand consulting and training, establishing a VI system, creative planning and production of advertisements to establish the "Chinese Agricultural Valley" (中國農谷) brand for the city of Jingmen.

III. Creative Production of Advertisement and Content

1. *Creative production services for commercial advertisements and micro films*

From the beginning, the Group has possessed an outstanding content creation gene. At present, with a creative team of more than forty members, the Group has provided comprehensive, professional and sophisticated creative advertisement and video content production services to numerous business sectors, corporations and cities, covering various formats including advertisements, features and micro films, and has won more than 40 national and international awards.

During the period under review, the Group has produced the following video assignments: "Beauty beyond Imagination" (想不到的美篇), an image-building film for the city of Tangshan; "The Interview" (訪談篇), an advertisement for Everbright Bank's products; "The Ultimatum" (極致篇), a promotional video for Royal Ruyi; and the promotional video "Tailor-made" and print products for Nogara. "The Roller Coaster" (過山車篇) for Durex Pleasuremax; "One Person, One World" (一人一世界篇) for Everbright Private Banking; and "The Interview" (訪談篇) for Everbright Bank were included in the "IAI 2011 Annual Book of Chinese Advertising Work" (IAI 中國廣告作品年鑒 2012) after an overall evaluation by the book's editorial board. SinoMedia's 2011 Annual Report, a product designed on the theme of "Breakthrough" by the Group's visual art center was awarded the League of American Communications Professionals "2011 Silver Award."

Management Discussion and Analysis

2. Creative production and syndication of public service advertisements

SinoMedia's wholly-owned subsidiary, Beijing Taihe Ruishi Cultural Media Company is the only operator in China that has a nationwide public service advertising broadcast network of 150 regional television channels, which not only helps the Group to increase its influence in the creative production sector, but also supplements its existing advertising media resources. The Group expects that this platform will attract more client interest through the independent creativity, filming and production of public service advertisements and their syndication to a wide range of regional television channels.

3. Video dynamic management services

With the only media asset management system in the advertising industry, the system's database provides clients with the dynamic management services of gathering, collating, editing and applying video information. The database is proven in practice to substantially shorten the production cycles for clients' promotional videos, and provides a full range of source materials for production, resulting in a more effective and systematic video promotion campaign for clients. At the same time, the system significantly improves the efficiency of the Group's post-production team and the quality of its video production services. The system continued to provide highly efficient services during the period under review, and the Group planned to create dedicated databases for more customers to generate management income.

IV. New Media Investment and Integration

New media investment and integration is another main focus of the Group. SinoMedia strongly believes that, with the increase in the Internet population and the development of mobile smart terminals, the Internet, especially the mobile Internet will accelerate change in the media industry and, in the next decade, promote the consolidation and development of various media. During this process, content production with creativity and communication capacity will be the core competitiveness of all media. Accordingly, during its process of developing into a leading media corporation in China, the Group will continue to pay particular attention to the development of content platforms in new media and, leveraging its own strengths, focus on the development of video-related business.

During the period under review, the first agricultural Internet portal hosted by the Group officially went online, and the key strategic investment on Super Channel (環球奇觀), a national digital TV channel was completed.

The details of the Group's investment projects include:

1. wgoal.com

In August 2011, the Group began building the Internet portal wgoal.com, which aims to become the largest and the most authoritative agricultural website in China. The site officially went online in February 2012. In July 2012, the Group completed a revision of wgoal.com, bringing in a new interface layout that better satisfies users' needs with improved user-friendliness and presents vital information more effectively. The site became the one of three most-visited agricultural websites a few months after its official launch; it is currently one of the top 60,000 websites in the world and one of the top 4,000 websites in China (as of 30 June 2012).

This project demonstrates the Group's determination to develop its new media investment and integration business, and represents one of its critical initiatives for expanding its business to upstream content production in the media value chain and establishing a full and three-dimensional media operation system. It also demonstrates that the Group is optimistic about the long-term opportunities arising from the development of information technology in Chinese agriculture and the brand development of agricultural products.

2. **Super Channel**

In March 2012, the Group entered into an agreement with Global Broadcasting Media Group (國廣環球傳媒控股有限公司), a company under China Radio International, to invest and participate in the operations of Super Channel (環球奇觀), a digital pay TV channel. The project has further strengthened SinoMedia's channel layout, representing the Group's expansion into omni-media platforms combining TV, the Internet, and mobile Internet and its progress in applying the upstream media development strategy of channels plus content.

Approved by the State Administration of Radio Film and Television, the digital pay TV channel Super Channel is a humanities and science educational TV channel focusing on spectacles. Since its first broadcast through satellite television in 2007, the channel has broadcast in 252 provinces and cities through cable networks, covering a TV audience of nearly 50 million.

3. **CNLive**

The Group holds a minority interest in Beijing Zhongtuo Shixun Cultural Media Company (北京中投視訊文化傳媒有限公司) ("**Zhongtuo Shixun**"), which is invested by the China Internet Information Center. It is a mobile TV operator that is responsible for the production of audio and visual content for CNLive's mobile TV platform, as well as for providing mobile TV services through mobile communication networks. The company also provides video services to its subscribers through the Internet.

Zhongtuo Shixun covers both the upstream and downstream markets of the mobile video industry chain and is engaged in, among other businesses, mobile live broadcast, interactive television, video sharing, mobile phone channels and video download. According to a report by iResearch, by the end of 2011 Zhongtuo Shixun had the second largest, or 16.7% of the share of China's mobile video licensee market and the second largest, or 16.8% of the market share of the distribution of content provided by China Mobile.

4. **100TV**

The Group holds approximately 13% of equity interest in 100TV, which is one of the largest mobile TV platforms and service providers in China, focusing on the development of mobile TV technology and video players, and has obtained business licenses for telecommunications and information services and value-added telecommunications services.

According to a report by iResearch, by the end of 2011, as a leading distributor of mobile video content, 100TV had the largest, or a 21.8% share of China's mobile video licensee market. In addition to focusing on the distribution of content provided by Guoshi Tongxun (國視通訊), 100TV has expanded its business scope gradually to include as its distribution targets video content providers that cooperate with China Mobile, including the People's Daily Online, Wasu Online and Tudou.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2012, the Group recorded revenue of RMB700,742 thousand, representing a 3% decrease from RMB719,939 thousand for the same period last year.

Revenue details are as follows:

- I. Before deduction for sales taxes and surcharges, revenue recorded from media resources management was RMB670,813 thousand, down 7% from RMB721,941 thousand for the same period last year. The drop in revenue was attributable to, (1) since the beginning of the year, the locations in which the Group's principal operating subsidiaries are registered have launched tax reforms, moving from business taxes to value-added taxes; the revenue for the first half of 2012 was the amount excluding value-added tax (based on the amount of sales contracts divided by 106%). If the revenue included value-added tax, revenue recorded from media resources management for the first half of the year would have been similar to that of the same period last year. (2) In view of the uncertainties of the market environment, certain clients tended to take a wait and see attitude, resulting in the postponement of their original advertising plans or a reduction in their advertising budgets. However, the Group managed to promote sales by enhancing sales efforts, offering a diversified product portfolio, and strengthening regional sales and industry specific promotional initiatives. In addition, the Group continued to enhance professional services provided for clients; the revenue recorded from media resources management was therefore maintained at a similar level compared with the same period last year, under a relatively adverse market environment.
- II. Before deduction for sales taxes and surcharges, revenue recorded from integrated brand communication services was RMB632,290 thousand, up 33% from RMB474,766 thousand for the same period last year. Under the International Accounting Standards, the Group's revenue is recognized on a net basis with relevant procurement costs deducted from turnover if it procures media resources in the capacity of an agent for clients. On this basis, revenue from this business was RMB29,107 thousand, a significant increase of 341% over RMB6,603 thousand last year. The significant increase was due mainly to the fact that, (1) the Group continued to enhance its promotion efforts and increase resource allocation to this business, while the scale of this business was expanding with an increasing number of large and quality clients; (2) the lag in the settlement of media accounts for the same period last year caused the service commission income receivable from TV stations in the first half of 2011 to be recognized in the second half of 2011, resulting in a relatively lower base for the same period last year; while the service commission income receivable from TV stations in the first half of 2012 was recognized in the first half of 2012.
- III. Before deduction for sales taxes and surcharges, revenue from the creative production of advertisement and content was RMB7,464 thousand, up 47% from RMB5,070 thousand for the same period last year. These mainly included revenue from production services for commercial advertising and revenue from the production and distribution of advertisements by the nationwide public service advertising broadcast network. During the period under review, some large-scale production projects contracted in 2011 were completed in the first half of 2012. Meanwhile, the Group successfully won several new production projects through creative proposals and competitive presentation, and achieved a substantial growth in revenue from production services for commercial advertising compared with the same period last year.



As the revenue recorded from the principal businesses was at about the same level compared with the same period last year, while the cost of services and operating expenses were effectively controlled, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2012 amounted to RMB79,049 thousand, representing an increase of 9% over RMB72,708 thousand for the same period last year.

Operating Expenses

For the six months ended 30 June 2012, the Group's operating expenses were RMB66,181 thousand, representing an increase of RMB15,036 thousand over last year and accounting for 9.4% of the Group's revenue (7.1% for the same period last year).

Operating expenses included the followings:

- I. Selling and marketing expenses amounted to RMB20,026 thousand, representing a decrease of approximately RMB5,160 thousand from RMB25,186 thousand for the same period last year, and accounting for 2.9% of the Group's revenue (3.5% for the same period last year). The decrease in selling and marketing expenses was mainly due to the fact that: (1) the performance-based payroll of sales personnel decreased by approximately RMB1,426 thousand compared to the same period last year; (2) in view of the unfavorable market environment, the management made a timely adjustment to the sales strategy at the beginning of the year by holding media promotion fairs, normally held in the second half of the year, in the first half of the year. This adjustment resulted in an increase in business promotion expenses of approximately RMB3,060 thousand compared with the same period last year. Meanwhile, the Group imposed strict control over expenses related to market research, industry analysis and production fees, which decreased by approximately RMB5,540 thousand compared with last year.
- II. General and administration expenses amounted to RMB46,155 thousand, representing an increase of approximately RMB20,196 thousand over RMB25,959 thousand for the same period last year, and accounting for 6.5% of company revenue (3.6% for the same period last year). The increase in general and administration expenses was due mainly to the fact that, (1) the Group's business scale was expanding, with the establishment of a number of new departments and the recruitment of management and professionals for the departments, resulting in an increase in back-office staff payroll of RMB6,463 thousand over last year; (2) in line with the business expansion, additional office space and office equipment were needed. Lease and property management fees, and depreciation increased by approximately RMB2,992 thousand compared with the same period last year; (3) impairment losses on bad and doubtful accounts and impairment on long-term investment increased by approximately RMB9,851 thousand in aggregate compared with the same period last year. Impairment losses on bad and doubtful accounts increased by approximately RMB2,935 thousand compared with the same period last year. In addition, for the sake of prudence and having conducted a valuation analysis of the Company, the Group made a provision for impairment on an equity investment in a vertical travel portal website during the period, which amounted to approximately RMB6,916 thousand.

Management Discussion and Analysis

Significant Investments and Acquisitions

In March 2012, the Group entered into an agreement with Global Broadcasting Media Group (國廣環球傳媒控股有限公司), the shareholder of Guoguang Shengshi Cultural Media Company (國廣盛世文化傳媒(北京)有限公司) (“**Guoguang Shengshi**”), to contribute an initial investment of RMB10 million to Guoguang Shengshi and take part in the operation of the digital pay TV channel “Super Channel” (環球奇觀).

Liquidity and Financial Resources

During the period under review, the Group maintained a strong financial position, with increasing working capital.

As of 30 June 2012, the Group’s cash and bank balances amounted to RMB1,198,144 thousand (31 December 2011: RMB913,179 thousand), approximately 98% of which was denominated in Renminbi, with the remaining 2% in US dollars and other currencies.

The Group further strengthened its liquidity management. During the period under review, the net cash inflow from operating activities amounted to RMB395,690 thousand (RMB126,373 thousand for the same period last year). After deducting RMB15,899 thousand in net cash outflow from investment activities arising mainly from equity investment and property renovation, and RMB95,639 thousand in net cash outflow from financing activities arising mainly from 2011 final and special dividend payments, there was still a substantial increase in cash and bank balances of approximately RMB284,965 thousand compared to year-end last year.

As of 30 June 2012, the Group’s total assets amounted to RMB2,051,709 thousand, which were financed by equity attributable to equity shareholders of the Company of RMB1,005,487 thousand and non-controlling interests of RMB7,477 thousand. As of the end of the period, there were no bank borrowing or assets held under finance lease.

The majority of the revenues, expenses and capital investments of the Group were denominated in Renminbi.

Human Resources

As of 30 June 2012, the Group had a total of about 420 employees, an increase of approximately 10% over the beginning of the year. We have implemented a remuneration policy that is competitive in the industry, and pay commissions to our sales people and discretionary bonuses to our other employees in view of the performance of the Group and of 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 were granted and remained unexercised as of the end of the period amounted to 36,306,500 units. We also provided employees with benefits like insurance, medical check-ups and various training courses, with a view to maintaining the Group’s competitiveness.



INDUSTRY AND GROUP OUTLOOK

Although the economy in China has recorded a decrease in GDP growth for six consecutive quarters since the first quarter of 2011, China has still maintained a robust economic growth among other economies worldwide under the industry restructuring promoted by the government; certain industries, such as tourism, finance and household electronic appliances also kept up a strong growth momentum with the support of these policies. As to the industry, *China Insight* magazine, published by an authoritative research institution — CTR Marketing Research, expects that China's advertising market will see a growth of 11% or below in 2012. In view of this, the Group will closely monitor current economic conditions, actively expand the market of its existing businesses and make a great effort to develop new businesses, striving to achieve its annual development goals.

We believe that, with the downward trend in economic growth and the transition of industry development, credible and authoritative media will continue to dominate the industry in the foreseeable future, and TV advertisements will take the lead in the media market. Driven by State policies and technological development, the integration of various media platforms will be the prevailing trend. The Internet and mobile Internet will grow rapidly and develop in line with digital TV network, resulting in a multi-channel broadcasting structure for video media.

Since the start of 2012, the four core businesses of the Group have flourished consistently. As customer demand for integrated brand communication rises substantially, the Group makes use of the video media platforms with the widest coverage and provide customers with comprehensive and one-stop service that covers brand positioning, media strategy, creative and production, advertising placement, public relations activity and terminal marketing.

The Group will continue to expand its business to the upstream of the media industry value chain. While further improving its capability of creative production, the Group will adopt the strategy of making active responses to the new media industry. For the projects the Group has invested in, we will integrate them with existing businesses in a phase-by-phase and step-by-step manner. Wgool.com, an online media project wholly-owned and built by the Group, will be the first project to experience a series of crucial measures implemented by the Group for its Internet media development, and endeavours to become the greatest agricultural portal website in China.

We believe that, with the continued growth of China's economy and the State's supportive policies regarding cultural and creative industries, the Group's Board of Directors, management and entire staff will aim to realise the mission of becoming a leading media corporation in China and worldwide, and continue to deliver abundant returns to our investors.

Condensed Consolidated Income Statement

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue		700,742	719,939
Cost of services		(540,806)	(567,055)
Gross profit		159,936	152,884
Other income	6	14,016	6,114
Selling and marketing expenses		(20,026)	(25,186)
General and administration expenses		(46,155)	(25,959)
Profit from operations		107,771	107,853
Finance income	7	9,215	4,883
Finance costs	7	(2,062)	(116)
Net finance income		7,153	4,767
Share of gain/(loss) of equity-accounted investees		1,443	(2,914)
Profit before taxation	8	116,367	109,706
Income tax	9	(36,200)	(35,101)
Profit for the period		80,167	74,605
Attributable to:			
Equity shareholders of the Company		79,049	72,708
Non-controlling interests		1,118	1,897
Profit for the period		80,167	74,605
Earnings per share	10		
Basic earnings per share (RMB)		0.142	0.128
Diluted earnings per share (RMB)		0.139	0.127

The notes on pages 18 to 25 are an integral part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Profit for the period	80,167	74,605
Other comprehensive income for the period (after tax and reclassification adjustments)	1,032	(2,714)
Exchange differences on translation of financial statements of the Company and overseas subsidiary	1,032	(2,714)
Total comprehensive income for the period	81,199	71,891
Attributable to:		
Equity shareholders of the Company	80,081	69,994
Non-controlling interests	1,118	1,897
Total comprehensive income for the period	81,199	71,891

The notes on pages 18 to 25 are an integral part of this interim financial report.

Condensed Consolidated Balance Sheet

As at 30 June 2012 — unaudited
(Expressed in Renminbi)

	Notes	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	11	53,720	56,229
Investment property		3,833	3,899
Prepayment for acquisition of a property		244,000	230,000
Prepayment for acquisition of equity-accounted investee		10,000	—
Investments in equity-accounted investees		43,347	47,722
Other non-current financial assets		26,016	30,447
Deferred tax assets		1,803	3,643
Total non-current assets		382,719	371,940
Current assets			
Other current financial asset		907	—
Trade and other receivables	12	469,939	566,039
Cash and cash equivalents	13	1,198,144	913,179
Total current assets		1,668,990	1,479,218
Total assets		2,051,709	1,851,158
Equity			
Share capital		172	171
Reserves		1,005,315	1,018,704
Equity attributable to equity shareholders of the Company		1,005,487	1,018,875
Non-controlling interests		7,477	6,359
Total equity		1,012,964	1,025,234

		At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
	<i>Notes</i>		
Non-current liabilities			
Other non-current financial liability		12,283	14,245
Deferred tax liability		3,483	—
Total non-current liabilities		15,766	14,245
Current liabilities			
Trade and other payables	14	974,322	742,860
Current taxation		48,657	68,819
Total current liabilities		1,022,979	811,679
Total liabilities		1,038,745	825,924
Total equity and liabilities		2,051,709	1,851,158
Net current assets		646,011	667,539
Total assets less current liabilities		1,028,730	1,039,479

The notes on pages 18 to 25 are an integral part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										Total equity RMB'000
	Capital								Retained earnings RMB'000	Non-controlling interests RMB'000	
	Share capital RMB'000	Share premium RMB'000	Share redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Total RMB'000			
Balance at 1 January 2011	174	468,406	18	18,030	55,217	1,506	(9,338)	315,127	849,140	6,904	856,044
Share-based payments	—	—	—	3,082	—	—	—	—	3,082	—	3,082
Purchase of own shares	—	—	—	—	—	—	—	(1,789)	(1,789)	—	(1,789)
Acquisition of non-controlling interests	—	—	—	—	—	—	5,823	(2,493)	3,330	(3,330)	—
Dividends	—	—	—	—	—	—	—	(62,464)	(62,464)	—	(62,464)
Total comprehensive income for the period	—	—	—	—	—	(2,714)	—	72,708	69,994	1,897	71,891
Balance at 30 June 2011	174	468,406	18	21,112	55,217	(1,208)	(3,515)	321,089	861,293	5,471	866,764
Changes in equity for the six months ended 31 December 2011:											
Share-based payments	—	—	—	1,563	—	—	—	—	1,563	—	1,563
Purchase of own shares	(3)	—	3	—	—	—	—	(17,933)	(17,933)	—	(17,933)
Acquisition of non-controlling interests	—	—	—	9,842	—	—	(5,823)	5,794	9,813	29	9,842
Dividends	—	—	—	—	—	—	—	240	240	(630)	(390)
Appropriation to reserves	—	—	—	—	5,435	—	—	(5,435)	—	—	—
Exercise of share option	—	803	—	(186)	—	—	—	—	617	—	617
Total comprehensive income for the period	—	—	—	—	—	(2,955)	—	166,237	163,282	1,489	164,771
Balance at 31 December 2011	171	469,209	21	32,331	60,652	(4,163)	(9,338)	469,992	1,018,875	6,359	1,025,234
Balance at 1 January 2012	171	469,209	21	32,331	60,652	(4,163)	(9,338)	469,992	1,018,875	6,359	1,025,234
Changes in equity for the six months ended 30 June 2012:											
Share-based payments	—	—	—	2,166	—	—	—	—	2,166	—	2,166
Purchase of own shares	—	—	—	—	—	—	—	(1,418)	(1,418)	—	(1,418)
Dividends	—	—	—	—	—	—	—	(96,546)	(96,546)	—	(96,546)
Exercise of share option	1	3,530	—	(1,202)	—	—	—	—	2,329	—	2,329
Total comprehensive income for the period	—	—	—	—	—	1,032	—	79,049	80,081	1,118	81,199
Balance at 30 June 2012	172	472,739	21	33,295	60,652	(3,131)	(9,338)	451,077	1,005,487	7,477	1,012,964

The notes on pages 18 to 25 are an integral part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Cash generated from operations		446,728	167,391
Tax paid		(51,038)	(41,018)
Net cash generated from operating activities		395,690	126,373
Net cash used in investing activities		(15,899)	(79,250)
Net cash used in financing activities		(95,639)	(64,013)
Net increase/(decrease) in cash and cash equivalents		284,152	(16,890)
Cash and cash equivalents at 1 January	13	913,179	795,791
Effect of foreign exchange rates changes		813	(2,714)
Cash and cash equivalents at 30 June	13	1,198,144	776,187

The notes on pages 18 to 25 are an integral part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 REPORTING ENTITY

SinoMedia Holding Limited (the “Company”) is a company domiciled in Hong Kong. The address of the Company’s registered office is Unit 402, 4th Floor, Fairmont House, No. 8 Cotton Tree Drive, Admiralty, Hong Kong. The interim financial report of the Company as at and for the six months ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates. 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 accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorized for issuance on 24 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, 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 2011 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”). This interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2012.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs 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 IFRS 7, Financial instruments: Disclosures – Transfers of financial assets
- Amendments to IAS 12, Income taxes – Deferred tax: Recovery of underlying assets

The amendments to IFRS 7 and IAS 12 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 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.

5 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.

6 OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Government grant	13,817	6,101
Others	199	13
	14,016	6,114

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest income on bank deposits	9,215	3,687
Changes in fair value of derivative financial instruments	—	1,196
Finance income	9,215	4,883
Changes in fair value of derivative financial instruments	(690)	—
Net foreign exchange loss	(1,349)	(86)
Others	(23)	(30)
Finance costs	(2,062)	(116)
Net finance income	7,153	4,767

8 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Depreciation	3,839	2,707
Impairment losses on bad and doubtful accounts	1,490	(1,445)
Impairment losses on equity-accounted investee	6,916	—
Interest income	(9,215)	(3,687)

9 INCOME TAX

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current tax — PRC Income tax	30,877	33,866
Deferred taxation	5,323	1,235
	36,200	35,101

No provision has been made for Hong Kong profits tax as the Company and its overseas subsidiary did not earn any income subject to Hong Kong profits tax for the six months periods ended 30 June 2012 and 2011.

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB79,049 thousand (six months ended 30 June 2011: RMB72,708 thousand) and the weighted average number of ordinary shares of 557,258,011 (2011: 565,987,400).

Profit attributable to ordinary equity shareholders

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Profit for the period	79,049	72,708
Profit attributable to ordinary equity shareholders	79,049	72,708

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE (CONTINUED)

(a) Basic earnings per share (continued)

Weighted average number of ordinary shares

	Six months ended 30 June	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	557,025	566,838
Effect of issues of ordinary shares under share option schemes	770	—
Effect of share repurchased	(537)	(851)
Weighted average number of ordinary shares at 30 June	557,258	565,987

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB79,049 thousand (six months ended 30 June 2011: RMB72,708 thousand) and the weighted average number of ordinary shares of 570,661,382 (2011: 574,144,520).

Profit attributable to ordinary equity shareholders (diluted)

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Profit attributable to ordinary equity shareholders (basic and diluted)	79,049	72,708

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2012 '000	2011 '000
Weighted average number of ordinary shares (basic)	557,258	565,987
Effect of share options on issue	13,403	8,157
Weighted average number of ordinary shares (diluted) at 30 June	570,661	574,144

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of RMB1,524 thousand (six months ended 30 June 2011: RMB2,701 thousand). Items of property, plant and equipment with a net book value of RMB261 thousand were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB75 thousand), resulting in a gain on disposal of RMB193 thousand (six months ended 30 June 2011: a loss on disposal of RMB16 thousand).

12 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:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	90,603	69,816
Less than 6 months past due	54,661	23,137
More than 6 months but less than 12 months past due	2,593	2,132
More than one year past due	58,601	56,868
Total trade and bills receivables	206,458	151,953
Less: Impairment losses on bad and doubtful accounts	(59,706)	(58,216)
Trade and bills receivables, net of allowance for doubtful debts	146,752	93,737
Prepayments and deposits to media suppliers	305,839	465,381
Advances to employees	6,151	2,398
Other debtors	11,336	4,687
Less: doubtful accounts of other receivables	(164)	(164)
Interest receivables	25	—
	469,939	566,039

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 Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

13 CASH AND CASH EQUIVALENTS

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Cash at bank and in hand	1,198,144	913,179

14 TRADE AND OTHER PAYABLES

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Due within 3 months or on demand	181,613	94,925
Due after three months but within six months	115,258	105,235
Due after six months but within one year	339,634	232,315
Total trade and bills payables	636,505	432,475
Advances from customers	328,330	275,031
Payroll and welfare expenses payables	6,542	14,681
Other tax payables	(4,189)	11,726
Other payables and accrued charges	6,488	8,301
Dividends payable due to non-controlling interests of a subsidiary	646	646
	974,322	742,860

15 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 Group.

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Final dividend in respect of the previous financial year, paid of approximately RMB8.6 cents per share (six months ended 30 June 2011: approximately RMB5.6 cents per share)	48,273	31,112
Special dividend in respect of the previous financial year, paid of approximately RMB8.6 cents per share (six months ended 30 June 2011: approximately RMB5.6 cents per share)	48,273	31,112
	96,546	62,224

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (a) notified to the Company and The Stock Exchange of Hong Kong Limited ("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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interests in the Company – Long Positions

Name of director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives (Note 1)	Total	Approximate percentage of issued share capital of the Company
Liu Jinlan	Founder of discretionary trust, beneficiary of trust and beneficial interest	251,428,169 (Note 2)	4,400,000	255,828,169	45.80%
Chen Xin	Founder of discretionary trust and beneficiary of trust	251,428,165 (Note 3)	—	251,428,165	45.01%
Li Zongzhou	Beneficial interest	—	2,500,000	2,500,000	0.45%
He Hui David	Beneficial interest	—	600,000	600,000	0.11%
Qi Daqing	Beneficial interest	—	260,000	260,000	0.05%
Ding Junjie	Beneficial interest	—	200,000	200,000	0.04%
Lian Yuming	Beneficial interest	—	200,000	200,000	0.04%

Notes:

- Details of the underlying shares are set out in the section headed "Share Option Schemes" in this report.
- Liu Jinlan is deemed to be interested in 251,428,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust, DFS (No. 2) Trust and CLH Trust, all founded by Liu Jinlan. In respect of 203,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.
- Chen Xin is deemed to be interested in 251,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust, DFS (No. 1) Trust and CLH Trust, all founded by Chen Xin. In respect of 203,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

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

(ii) Interests in associated corporations of the Company – Long Positions

Name of director	Name of associated corporation	Nature of interest	Approximate percentage of issued share capital of the associated corporation
Liu Jinlan	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%
	CTV Golden Bridge International Media Group Co., Ltd.	Corporate interest	0.3%
Chen Xin	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%

Apart from the foregoing, as at 30 June 2012, none of the directors and chief executive 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.

SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme"), respectively, whereby the directors of the Company are authorised, at their discretion, to invite any full time employee, director or any person approved by the board or shareholders of the Company to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for shares of the Company. No further options will be granted under the Pre-IPO Scheme. The Post-IPO Scheme shall be valid and effective for a period of ten years ending on 7 July 2018.

The total number of securities available for issue under both the Pre-IPO Scheme and the Post-IPO Scheme as at 30 June 2012 was 36,306,500 shares which represented approximately 6% of the issued share capital of the Company as at 30 June 2012.

Other Information

SHARE OPTION SCHEMES (CONTINUED)

Movements of the share options under the share option schemes for the six months ended 30 June 2012 are as follows:

	No. of options outstanding as at 1 January 2012	No. of options granted during the period	No. of options exercised during the period	No. of options forfeited during the period	No. of options outstanding as at 30 June 2012	Date of grant	Exercise price	Exercise period
Directors								
Liu Jinlan	3,200,000	—	—	—	3,200,000	10 July 2007	RMB1.56	Note 2
	1,200,000	—	—	—	1,200,000	2 July 2010	HKD1.84	Note 4
Li Zongzhou	1,600,000	—	—	—	1,600,000	10 July 2007	RMB1.56	Note 1
	900,000	—	—	—	900,000	2 July 2010	HKD1.84	Note 4
He Hui David	600,000	—	—	—	600,000	2 July 2010	HKD1.84	Note 4
Qi Daqing	260,000	—	—	—	260,000	17 September 2009	HKD1.49	Note 3
Ding Junjie	200,000	—	—	—	200,000	17 September 2009	HKD1.49	Note 3
Lian Yuming	200,000	—	—	—	200,000	29 August 2011	HKD2.62	Note 4
Employees								
in aggregate	9,560,000	—	(764,000)	—	8,796,000	4 July 2007 to 7 March 2008	RMB1.56	Note 1
	200,000	—	—	—	200,000	17 September 2009	HKD1.49	Note 3
	15,120,000	—	(782,500)	—	14,337,500	2 July 2010	HKD1.84	Note 4
	500,000	—	—	—	500,000	22 November 2010	HKD2.82	Note 4
	900,000	—	(27,000)	—	873,000	6 December 2010	HKD2.88	Note 4
	2,340,000	—	—	(300,000)	2,040,000	29 August 2011	HKD2.62	Note 4
	—	1,400,000	—	—	1,400,000	9 January 2012	HKD2.36	Note 4

Notes:

1. 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 of grant.

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 Group commenced on 8 January 2009 and will expire 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 SCHEMES (CONTINUED)

- An exception to the vesting requirement mentioned in (1) above is that Liu Jinlan 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, Liu Jinlan 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 is exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above.

- A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted from the acceptance of the Post-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 Post-IPO Options granted, up to eight years from the date of grant.
- A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the elapse of one full year from the date of grant of the Post-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 Post-IPO Options granted, up to eight years from the date of grant.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES – LONG POSITIONS

As at 30 June 2012, so far as known to the directors and chief executive of the Company, the following corporations (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:

Substantial shareholder	Nature of interest	Total number of ordinary shares held	% of total issued shares
Equity Trustee Limited	Trustee (Note 1)	298,914,821	53.51%
CLH Holding Limited	Corporate interest (Note 2)	203,941,513	36.51%
Bain Capital CTVGB Holding L.P.	Corporate interest (Note 3)	117,624,579	21.06%

Notes:

- Equity Trustee Limited is deemed to be interested in 298,914,821 shares of the Company as it is the trustee of CLH Trust (shares held by Golden Bridge International Culture Limited), MHS Trust (shares held by Merger Holding Service Company Limited), UME Trust (shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (shares held by SinoMedia Investment Ltd.).
- These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 203,941,513 shares of the Company held by Golden Bridge International Culture Limited.
- These shares are directly held by Bain Capital CTVGB Holding Ltd. which is a wholly owned subsidiary of Bain Capital CTVGB Holding L.P. Bain Capital CTVGB Holding L.P. is deemed to be interested in 117,624,579 shares of the Company held by Bain Capital CTVGB Holding Ltd.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES – LONG POSITIONS (CONTINUED)

Save as disclosed above, so far as known to the directors and chief executive of the Company, as at 30 June 2012, there was no other persons or corporations (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

During the six months ended 30 June 2012, the company repurchased 615,000 ordinary shares on the Stock Exchange at an aggregate price of HKD1,735,170. The repurchased shares had been cancelled subsequently in July 2012. The details of the repurchased shares are as follows:

Date	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD
5 June 2012	605,000	2.90	2.76	1,705,870
29 June 2012	10,000	2.93	2.93	29,300
	615,000			1,735,170

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, 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 Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

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 2012, including the accounting principles and practices adopted by the Group.